

CITY OF UNIVERSITY PARK, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

Issued by
Department of Finance

CITY OF UNIVERSITY PARK, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018

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City of University Park
Committed to Excellence

April 18, 2019

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of University Park:

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of University Park, Texas for the fiscal year ended September 30, 2018. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Crowe LLP, Certified Public Accountants, have issued an unmodified opinion on the City of University Park's financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Incorporated in 1924, the City of University Park, Texas, is a stately residential community located five miles north of downtown Dallas, Texas. University Park is surrounded by Dallas on three sides and by Highland Park on the fourth. The City limits have been unchanged since the 1950's and encompass a land area of 3.8 square miles with an estimated population of 22,890. Home to Southern Methodist University, University Park is known for its excellent schools, fine homes and churches, and outstanding local services.

Government Structure

The City has operated under the council-manager form of government since 1989, after voter approval of a Home Rule Charter. Policy-making and legislative authority are vested in the City Council, consisting of a Mayor and four Council members. The City Council is responsible for approving ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Judge.

Elected on an at-large, non-partisan basis, Council members serve concurrent two-year terms and are limited to three consecutive terms. The Mayor is elected to serve a two-year term and is also limited to three consecutive terms. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City Manager is responsible for carrying out the policies and implementing the ordinances of the City Council. He also oversees the day-to-day operations of the government, appoints the directors of the various departments, and prepares an annual budget.

Services Provided

The City of University Park provides a full range of municipal services, including police and fire protection, solid waste collection and disposal, street maintenance and repair, water distribution, wastewater collection, stormwater control, traffic control, building inspection, park maintenance, and swimming pool operation.

Internal services of the City, accounted for on a cost reimbursement basis, are fleet services, risk management, and employee health and disability coverage.

The City is also financially accountable for three legally separate entities: the University Park Civic Foundation, Inc., the Southwest Higher Education Authority, Inc., and the Texas Higher Education Authority, Inc. Additional information on all three entities can be found in Note I.A. to the financial statements.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the goods or services are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on an accrual basis. Both governmental operations and proprietary activities are being appropriated on an annual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) reliability of financial reporting, 2) effectiveness and efficiency of operations, and 3) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that: 1) the cost of a control should

not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

The annual budget serves as the foundation for the City's financial planning and control. Each year the City Manager submits a proposed budget to the City Council. The Council reviews the budget and undertakes formal adoption of the budget through ordinance by September 30. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are posted electronically on a monthly basis for City departmental management. Individual line items are reviewed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled on a project/sub-project basis. Revenue budgets are reviewed monthly.

Local Economy

The City of University Park enjoys a relatively stable economic environment, which is largely the result of its economic makeup, residential orientation and highly desirable location in the Dallas-Ft. Worth area. While the overall lack of commercial and industrial base means that the City relies primarily on residential property tax revenue, that reliance also affords a measure of protection from sharp swings in the business cycle. Over the past few years, the City's largest employer, Southern Methodist University, has been expanding both its footprint and prestige through facilities such as the George W. Bush Presidential Center and the Sophomore Commons student housing area.

In FY2018, the average market value of a residential parcel in the City increased to \$1,549,797, a 4% increase from \$1,489,862 in FY2017. The property tax rate remain unchanged at \$0.24876; resulting in a budgeted revenue increase of \$429,407 due to the increase in the tax base. The revenue increase allowed the City to continue providing high quality municipal services to its citizens.

Long-term Financial Planning

The City Council continues to endorse both the pay-as-you-go philosophy for infrastructure replacement, and the rolling 5-year Capital Improvements Program as formulated and approved by the Capital Projects Review Committee. The City has been debt-free since 2002.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of University Park for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable

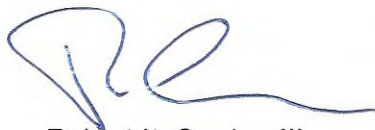
and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all City employees who assisted in and contributed to the preparation of this report.

We would also like to thank the members of the City Council for their unfailing support in conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Robert L. Corder, III

City Manager



Thomas W. Tvardzik

Director of Finance



Civic S. Yip

Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of University Park
Texas**

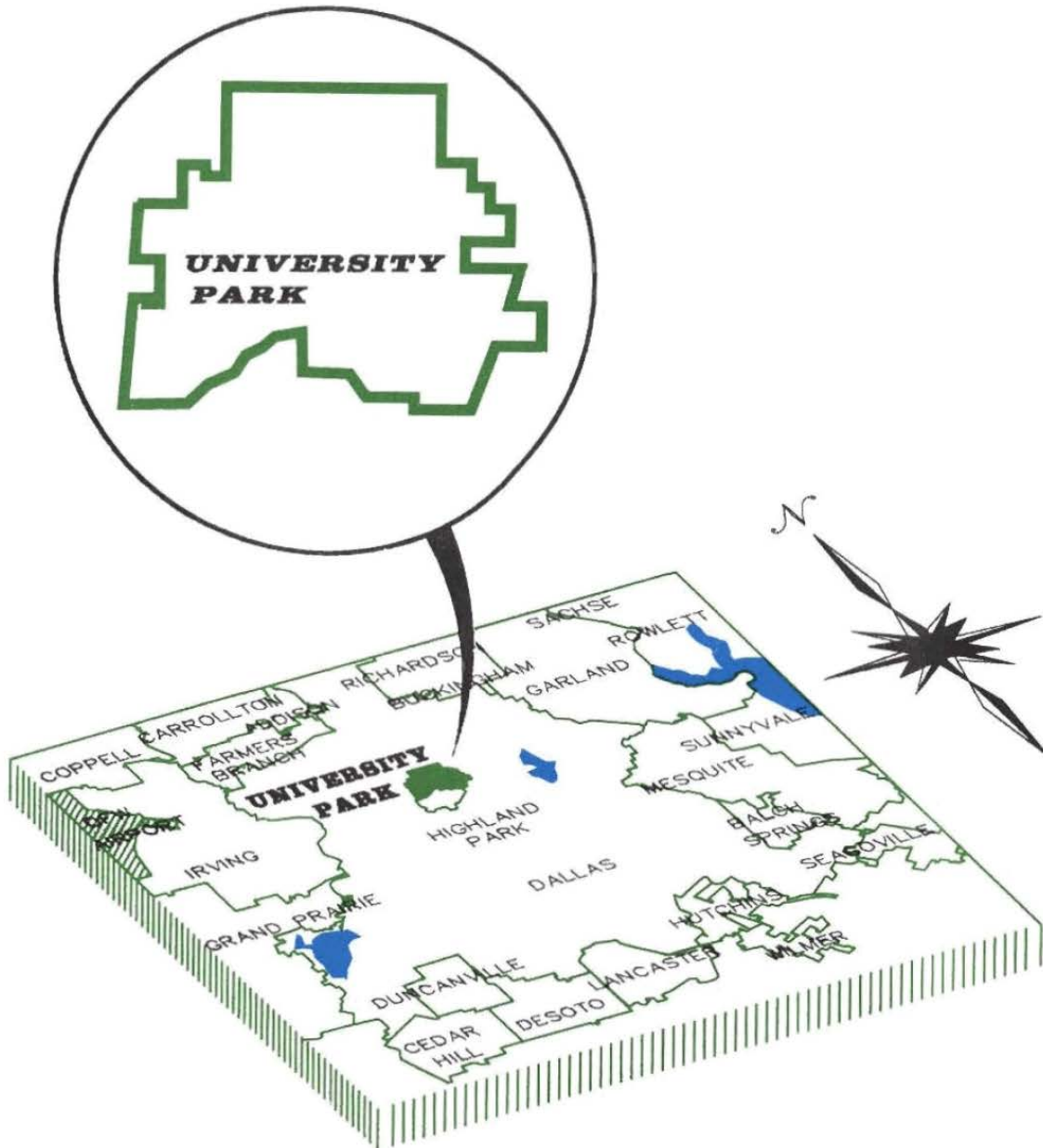
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

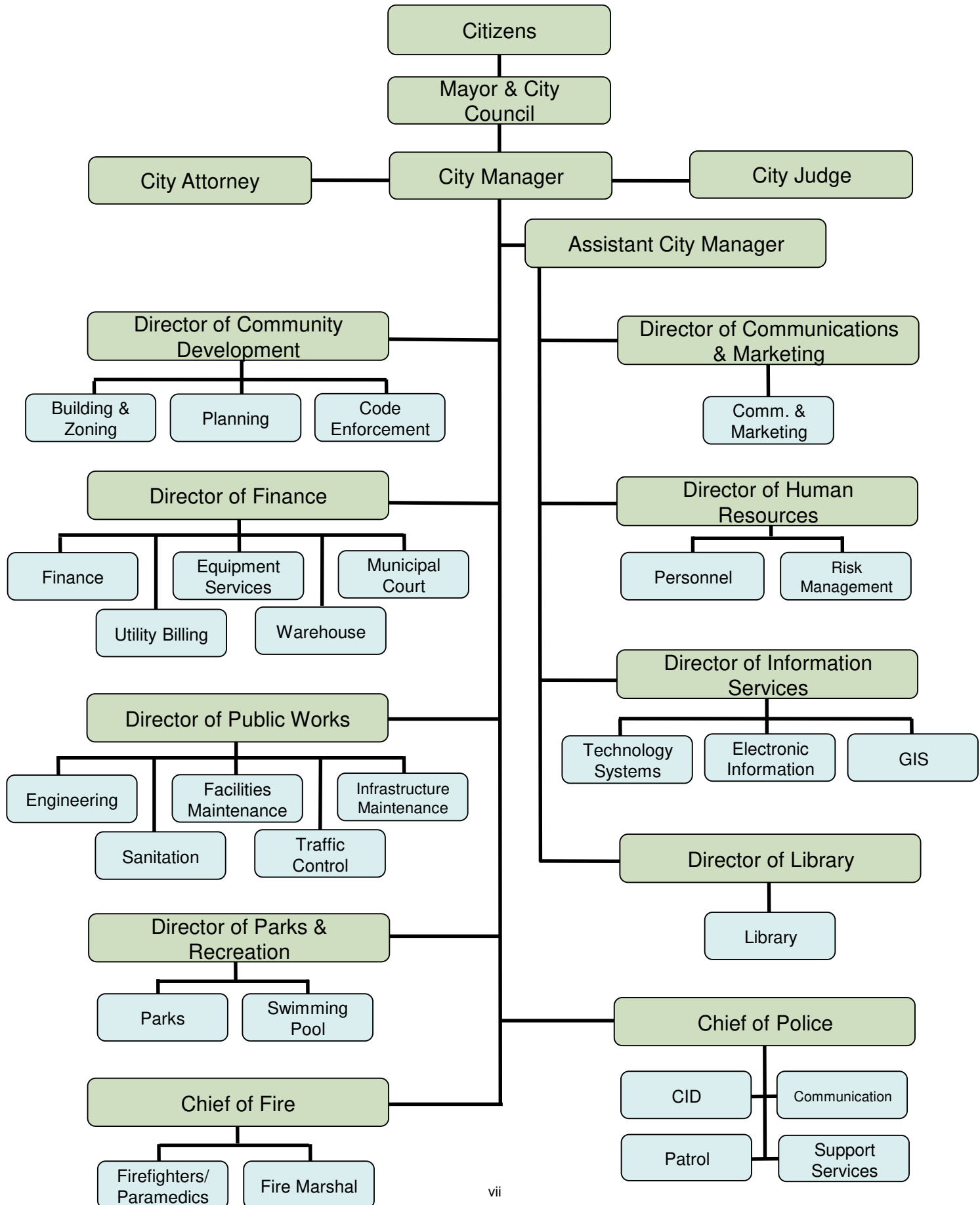
Executive Director/CEO

MAP OF UNIVERSITY PARK AND DALLAS COUNTY AREA



CITY OF UNIVERSITY PARK, TEXAS

Organization Chart





CITY OF UNIVERSITY PARK, TEXAS

Elected Officials

Official and Title	First Elected	Term Expires	Professional Background
Olin Burnett Lane, Jr. Mayor	2014	2020	Real Estate Developer
E. Taylor Armstrong, Jr., Mayor Pro Tempore	2014	2020	Architect/Real Estate Broker
Randy Biddle, Council Member	2016	2020	Lawyer
Gage A. Prichard, Sr., Council Member	2016	2020	Real Estate Developer
Liz Farley, Council Member	2018	2020	Medical

Appointed Officials

Name	Position	Year Appointed
Robert L. Corder, III	City Manager	2014
Robert L. Dillard, III	City Attorney	1987
James P. Barklow, Jr.	Municipal Judge	1987
Thomas W. Tvardzik	Director of Finance	2013
Civic S. Yip	Controller	2014

Certified Public Accountants

Crowe LLP, Dallas, Texas

Financial Advisor

Hilltop Securities Inc., Dallas, Texas

INDEPENDENT AUDITOR'S REPORT

*Honorable Mayor and Members of City Council,
University Park, Texas*

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of University Park (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I.E. to the financial statements, in June 2015 the GASB issued GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* As discussed in Note 1, GASB Statement 75 was effective for the City's fiscal year ended September 30, 2018. This Statement replaces the requirements of Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures as well as identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about Postemployment Benefits Other Than Pensions are also addressed. As a result of implementation of this standard, the governmental activities net position, including the net effect of the internal service fund allocation of \$25,609, and the business-type activities net position were restated by \$369,786 and \$146,670, respectively as of October 1, 2017. The net position of the Water and Sewer, Sanitation funds and the aggregate remaining fund information were also restated by \$81,745, \$64,165 and \$26,369, respectively, as of October 1, 2017 for the cumulative effect of the application of this pronouncement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability(Asset and Related Ratios Last 10 Years, Texas Municipal Retirement System Schedule of Contributions Last 10 Years, University Park Firefighters' Relief and Retirement Fund Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Years, University Park Firefighters' Relief and Retirement Fund Schedule of Contributions Last 10 Years, Retiree Health Care Plan Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Calendar Years and Budgetary Comparison Schedule General Fund, on pages 5, 75, 76, 78, 79, 81 and 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" written in a more straightforward, slightly slanted font.

Crowe LLP

Dallas, Texas
April 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2018

As management of the City of University Park (City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2018. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically. This allows the City's tax base, service levels, assets and desirability to be maintained not just for the current year but well into the future. Financial reporting is limited in its ability to provide this "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and or expenses/expenditures higher or lower than the previous year? Has net position (containing both short and long term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report. It should be noted that the Independent Auditors' Report describes the auditors association with the various sections of this report and that all of the additional information from the City website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$179,022,280 ("*total net position*"). This number should be viewed in the context that the majority of the City's net position, \$128,130,154 (72%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The restricted net position totals \$267,200 and may only be spent for the purpose of the particular fund that holds it. The remaining \$50,624,926 is considered unrestricted net position, and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. The City's total net position increased \$5,509,823 (3%) from FY2017, with the growth in the unrestricted portion accounting for \$3,773,233 of the difference.
- The City's long-term liabilities decreased \$2,937,871 due primarily to the reduction in TMRS pension liability partially offset by an increase in total OPEB liability.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,802,987, an increase of \$348,582 from the prior year. Within this total, \$589,430 is non-spendable by nature (i.e. inventory), \$267,200 is restricted by specific legal requirements, and \$17,514,501 has been committed in accordance with the following: Emergency Reserve (\$2,500,000); SMU PILOT (Payment In Lieu Of Taxes) Reserve (\$2,375,000); and SMU Land Sale Reserve (\$12,639,501). The amount of \$11,464,441 has been assigned to specific types of expenditures, while the remaining \$8,967,415 is unassigned fund balance in the General Fund, and can be used for any lawful purpose.
- The City remains debt free, and has been so since 2002.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of University Park's basic financial statements. The City's basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of University Park's finances, in a manner similar to a private-sector business.

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2018

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of University Park that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, public safety, parks, streets and traffic control. The business-type activities of the City include water distribution, wastewater removal and solid waste collection.

The government-wide financial statements include not only the City of University Park itself (known as the *primary government*), but also a legally separate higher education authority and a legally separate private, non-profit foundation for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government should transactions occur. Although also legally separate, the University Park Civic Foundation functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found immediately following the MD&A in this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. A third type of fund, the fiduciary fund, is not utilized.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of University Park maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2018

considered major funds. Data from the other eight governmental funds are combined in a single aggregated presentation. Individual fund data for each of the nonmajor governmental funds (University Park Civic Foundation, Court Security, Court Technology, Police Training and Education, Police Forfeiture, Fire Training and Education, Library, and Parks Projects and Programs) is provided in the form of combining statements.

The City of University Park adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in this report following the government-wide financial statements.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, solid waste, and storm water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of University Park uses internal service funds to account for its fleet of vehicles and self-insurance program. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, solid waste operations and stormwater management. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found in this report following the basic governmental fund financial statements.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the Statement of Cash Flows – Proprietary Funds.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees as well as certain budgetary information. Required supplementary information can be found following the notes section.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, total net position and especially net position by category may serve over time as a useful indicator of a government's financial health. For the City of University Park, assets exceeded liabilities by \$179,022,280 as of September 30, 2018, an increase in net position of \$5,509,823, or 3%. Of this increase, \$516,456 is related to a prior period adjustment related to the implementation of a new accounting standard.

The largest portion of the City's total net position, \$128,130,154 (72%) is its investment in capital assets (e.g., land, construction-in-progress, buildings, improvements, machinery and equipment and infrastructure), less any related accumulated depreciation. The City uses these capital assets to provide a

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2018

variety of services to its citizens; consequently, these assets are not available for future spending, and with the exception of "business type" assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets in good repair for the foreseeable future.

The City has no outstanding debt and funds capital asset acquisition and capital projects on a pay-as-you-go basis.

The City has \$267,200 of restricted net position, resulting from the fund balances of the Special Revenue Funds, which are nonmajor governmental funds combined under the heading "Other Governmental Funds". Due to revenue restrictions, fund balance within the Special Revenue Funds may only be spent for the particular purpose for which the fund was created.

The remaining balance of \$50,624,926 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF UNIVERSITY PARK - Net Position

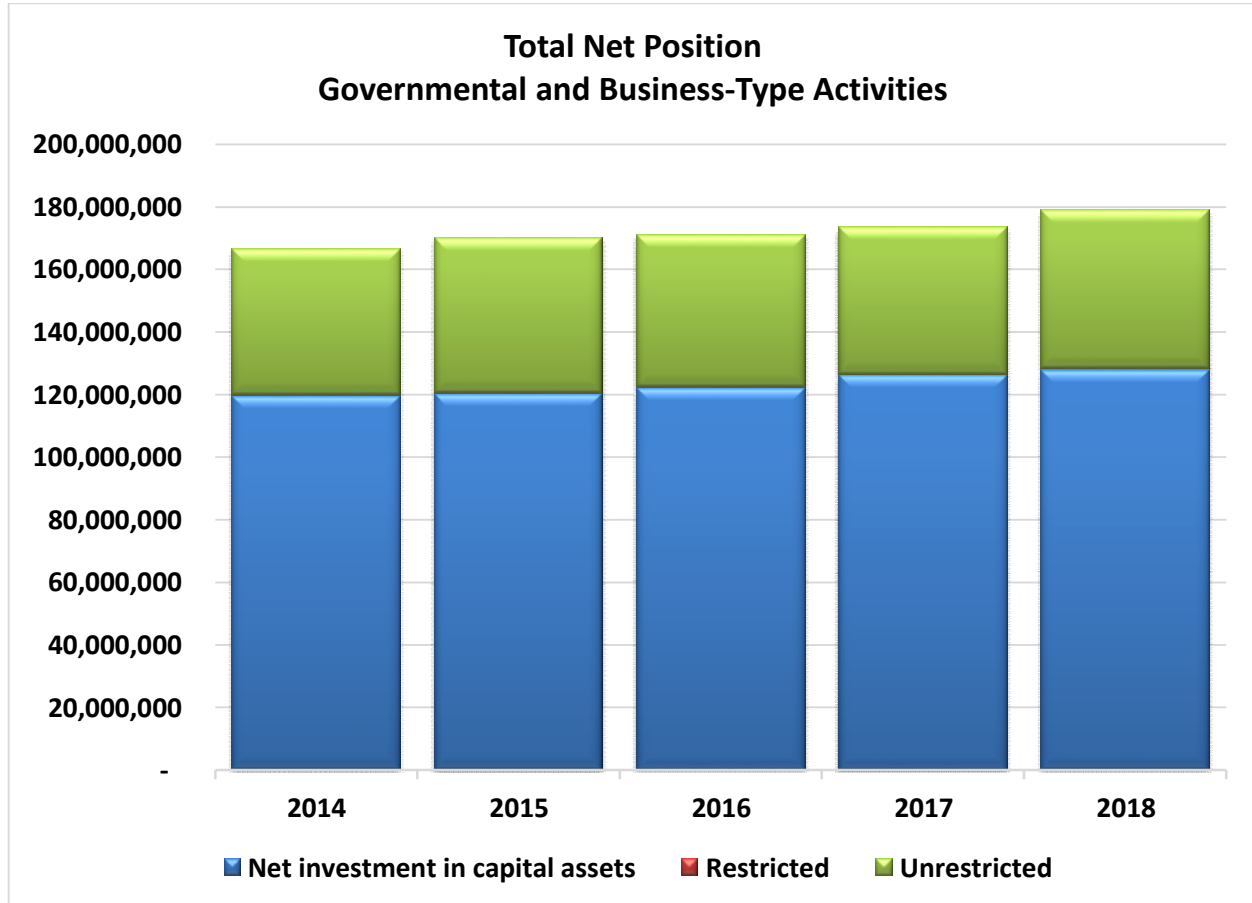
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 50,302,987	\$ 46,277,424	\$ 22,321,221	\$ 18,088,868	\$ 72,624,208	\$ 64,366,292
Capital assets	75,828,190	73,575,392	52,301,964	52,774,728	128,130,154	126,350,120
Total Assets	126,131,177	119,852,816	74,623,185	70,863,596	200,754,362	190,716,412
Deferred outflows of resources	3,935,437	7,912,625	410,008	1,349,351	4,345,445	9,261,976
Current liabilities	3,698,418	3,107,653	1,804,104	1,571,107	5,502,522	4,678,760
Long-term liabilities	16,017,596	18,307,888	518,604	1,166,183	16,536,200	19,474,071
Total Liabilities	19,716,014	21,415,541	2,322,708	2,737,290	22,038,722	24,152,831
Deferred inflows of resources	3,583,981	1,796,644	454,824	-	4,038,805	1,796,644
Net Position:						
Net investment in capital assets	75,828,190	73,575,392	52,301,964	52,774,728	128,130,154	126,350,120
Restricted	267,200	310,644	-	-	267,200	310,644
Unrestricted	30,671,229	30,297,434	19,953,697	16,554,259	50,624,926	46,851,693
Total Net Position	\$106,766,619	\$104,183,470	\$ 72,255,661	\$ 69,328,987	\$179,022,280	\$173,512,457

Current and other assets increased in the Governmental activities by \$4,025,563 and in the Business-type activities by \$4,232,353. Increase in the Governmental assets is primarily due to the result of operations and the creation of a net pension asset for TMRS. The increase in Business-type activities is largely for the same reasons.

The City's long-term liabilities decreased by \$2,937,871 due primarily to the elimination of the prior year's TMRS net pension liability partially offset by the increase in total OPEB liability.

As of September 30, 2018, the City has positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true last year.

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CITY OF UNIVERSITY PARK - Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 6,151,972	\$ 4,652,387	\$ 20,125,539	\$ 18,838,081	\$ 26,277,511	\$ 23,490,468
General revenues:						
Property tax	18,999,877	18,463,633	-	-	18,999,877	18,463,633
Sales tax	4,558,780	4,421,709	-	-	4,558,780	4,421,709
Franchise fees	1,848,515	2,072,947	-	-	1,848,515	2,072,947
Interest	697,960	394,574	115,711	38,991	813,671	433,565
Other	1,220,981	1,265,815	761,570	737,609	1,982,551	2,003,424
Donations	67,313	98,836	-	-	67,313	98,836
Total Revenues	<u>33,545,398</u>	<u>31,369,901</u>	<u>21,002,820</u>	<u>19,614,681</u>	<u>54,548,218</u>	<u>50,984,582</u>
Expenses:						
General Government	6,541,706	6,575,387	-	-	6,541,706	6,575,387
Public Safety	15,230,494	15,049,833	-	-	15,230,494	15,049,833
Streets	1,897,537	1,953,853	-	-	1,897,537	1,953,853
Parks	4,095,819	3,877,072	-	-	4,095,819	3,877,072
Public Works	2,788,705	2,907,656	-	-	2,788,705	2,907,656
Utilities	-	-	15,302,739	14,448,042	15,302,739	14,448,042
Sanitation	-	-	2,946,676	3,025,626	2,946,676	3,025,626
Stormwater	-	-	234,719	176,504	234,719	176,504
Total Expenses	<u>30,554,261</u>	<u>30,363,801</u>	<u>18,484,134</u>	<u>17,650,172</u>	<u>49,038,395</u>	<u>48,013,973</u>
Increase in net position before transfers	2,991,137	1,006,100	2,518,686	1,964,509	5,509,823	2,970,609
Transfers	<u>(407,988)</u>	<u>(388,560)</u>	<u>407,988</u>	<u>388,560</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net position	2,583,149	617,540	2,926,674	2,353,069	5,509,823	2,970,609
Net Position - October 1	104,183,470	103,935,716	69,328,987	67,122,588	173,512,457	171,058,304
Adjustment per GASB 75	<u>-</u>	<u>(369,786)</u>	<u>-</u>	<u>(146,670)</u>	<u>-</u>	<u>(516,456)</u>
Net Position - September 30	<u>\$ 106,766,619</u>	<u>\$ 104,183,470</u>	<u>\$ 72,255,661</u>	<u>\$ 69,328,987</u>	<u>\$ 179,022,280</u>	<u>\$ 173,512,457</u>

Governmental Activities

- Net position from governmental activities increased \$2,583,149 (after transfers) to \$106,766,619. Of the increase, \$369,786 relates to a prior period adjustment implementing revised OPEB accounting standards.
- Revenues related to governmental activities increased \$2,175,497 (6.9%) from the prior year.
 - Revenue contributors in FY2018 included:
 - Property tax revenue increased \$536,244 (2.9%) for the year. The total certified taxable property value rose 2.2% year-over-year, while the value of the average single-family home (before applicable exemptions) climbed 4.0% from the prior year. Keeping the tax rate consistent with the prior year (24.8761 cents per \$100 of taxable value) resulted in an average tax levy increase of just \$119, or 4% for the typical single-family homeowner after the 20% homestead exemption.
 - Charges for service increased \$1,499,585 (32.2%) from FY2017, due entirely to building permit revenue, which increased by \$1,560,095 during the year. While the number of new construction permits issued continued to decline year over year, the issuance of “addition and remodeling” permits were up. However, it was a number of significant projects undertaken by the Highland Park Presbyterian Church, the Highland Park Independent School District, Southern Methodist

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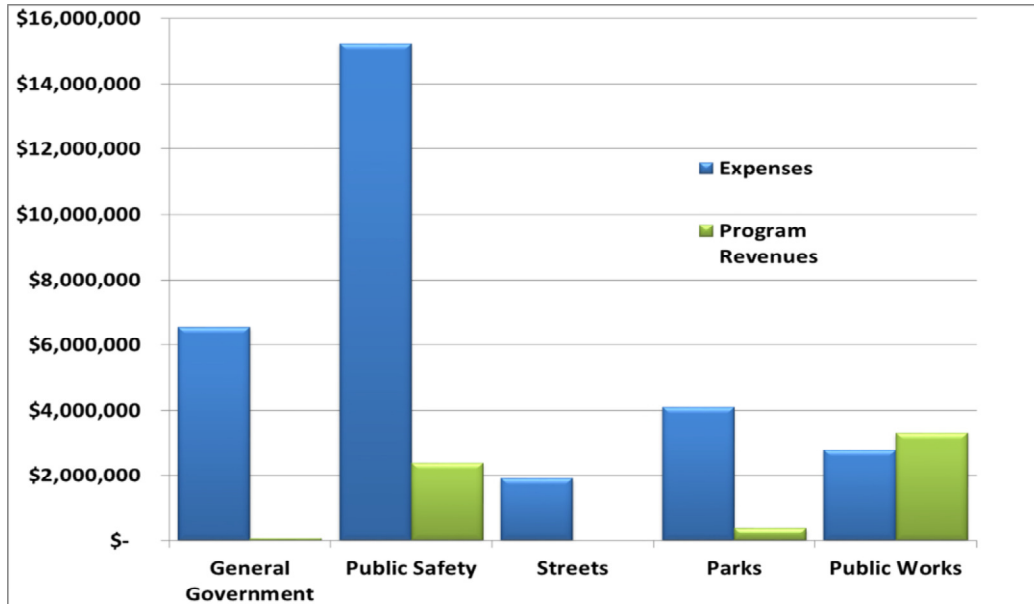
University and SPC Hillcrest LP (the "Hilltop Plaza" project) that more than offset declining residential permit fees.

- Sales taxes increased \$137,071, (3.1%), which was in line with expectations and reflective of a robust local economy.
 - Interest revenue increased \$303,386 (76.9%), reflecting the quarterly rolling of the laddered, five-year, negotiable certificate of deposit sector of the City investment portfolio as well as the four quarter-point Federal Reserve rate hikes during the fiscal year. Each rate hike is generally accompanied by a commensurate increase in the earnings rates of the City's "pooled" investments.
- Revenue shortfalls occurred in the following categories in FY2018:
 - Franchise fees decreased \$224,432 (-10.8%) from FY2017. Electric service, internet/TV providers, and waste hauler fees all decreased during the year reflecting a relatively mild summer cooling season, changing consumer behavior ("cord-cutters") and decreased residential building activity. The waste franchise fees are paid by those companies providing roll-off container and debris hauling services, primarily to construction sites within the City. Only gas franchise fees increased during the period, reflective of a colder than average winter heating season.
 - Other Revenue ended FY2018 at \$1,220,981, down \$44,834 (3.5%) from FY2017, while donations ended the period at \$67,313, a decrease of \$31,523 (31.9%) from FY2017. As in prior years, a significant portion of the "other revenue" category was comprised of reimbursements from the Dallas Area Rapid Transit system for construction projects undertaken in accordance with their Transit Related Improvement Program ("TRIP"), and the sale of various rights-of-way and easements. The only line-item component of other revenue to decrease during the year was support received from the Friends of the Library, who decreased their contribution from \$300,000 in FY2017 to \$100,000 in FY2018.
- Expenses related to governmental activities increased from the prior year, by \$190,460 (0.6%) to \$30,554,261. Significant cost drivers were as follows:
 - Two new positions were filled during FY2018, a Public Safety Technical Support Administrator and an additional 911/311 Dispatcher. While both positions were public safety related, the Technical Support position is part of the Information Services department.
 - A 3% market-based, across-the-board pay increase was implemented.
 - Significant expenditures took place within the Holmes Aquatic Center, including renovations and refurbishment of the water slide as well as outfitting and operational expenses incurred during the inaugural season of the new, city-run concession stand.

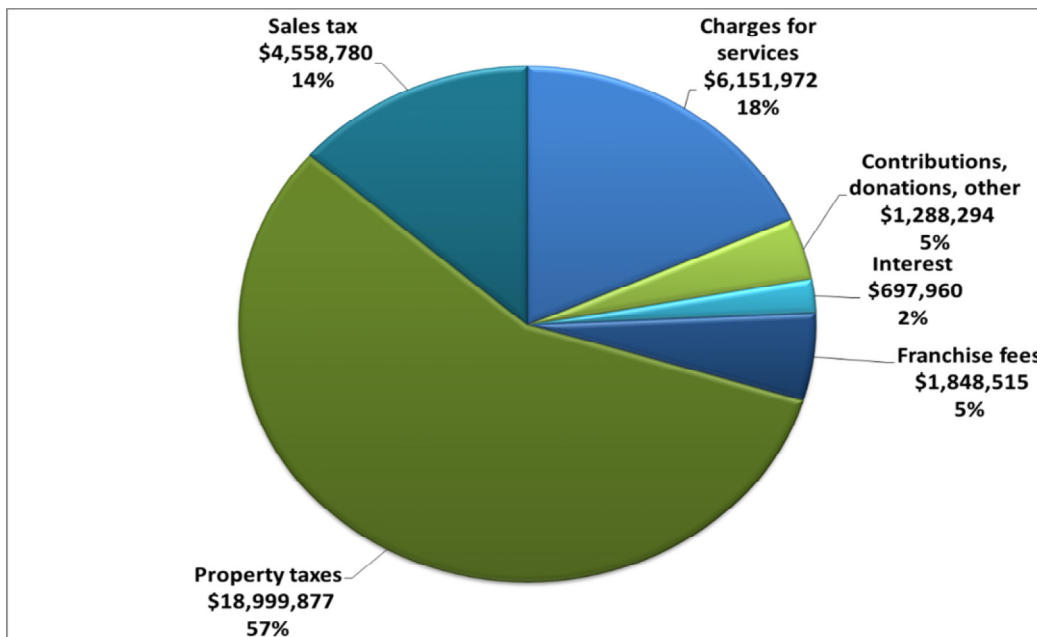
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PROGRAM REVENUES AND EXPENSES – GOVERNMENTAL ACTIVITIES



**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
 (OTHER THAN PROGRAM REVENUES)**



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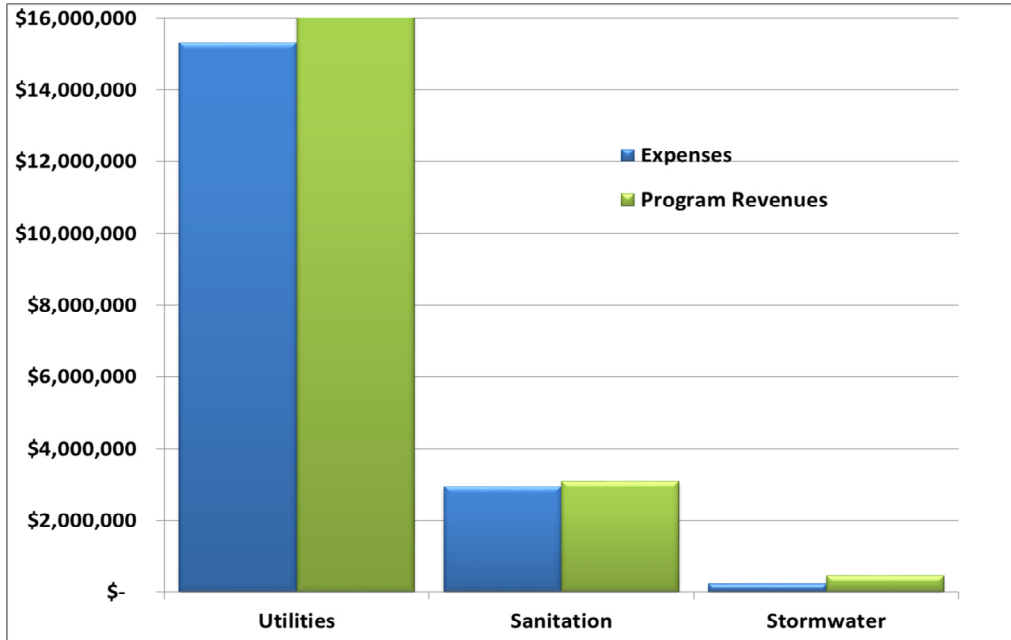
Business-type Activities:

- Net position from business-type activities increased \$2,926,674 after transfers, from \$69,328,987 to \$72,255,661. Of that increase, \$146,670 was due net prior period adjustments related to OPEB reporting.
- Revenues related to business-type activities increased \$1,388,139 (7.1%) in FY2018, due to increases in all major service categories (water, wastewater, sanitation and stormwater).
 - The water rate pricing structure and rate remained unchanged from the prior year, revenue increases were due to larger volumes of water being sold.
 - Minimum wastewater charges increased 10% in FY2018 (from \$10 to \$11 per unit) to help offset anticipated increases from Dallas Water Utilities. The rate increase coupled with a slight increase in usage during the “winter averaging” months resulted in higher overall revenues.
 - Sanitation revenues increased 1.3% from the prior year as both commercial pickup (container service) fees as well as brush/large item fees were standardized and increased slightly.
 - Stormwater revenues increased 9.0% from FY2017 due to resolution of some commercial and non-residential billing issues as well as a 5% increase in monthly drainage fees.
- Expenses for business-type activities increased by \$833,962 (4.7%) in FY2018, due to the following:
 - An increase of \$412,684 in sewer payments to Dallas Water Utilities, as a result of higher rates, and higher average water sales during the averaging measurement period.
 - An increase of \$574,618 in water payments to the Dallas County/Park Cities Municipal Utility District (the supplier of potable water to the City).
 - The expense increases noted above were offset by a reduction in TMRS pension expenses, resulting from better than expected results during the period.

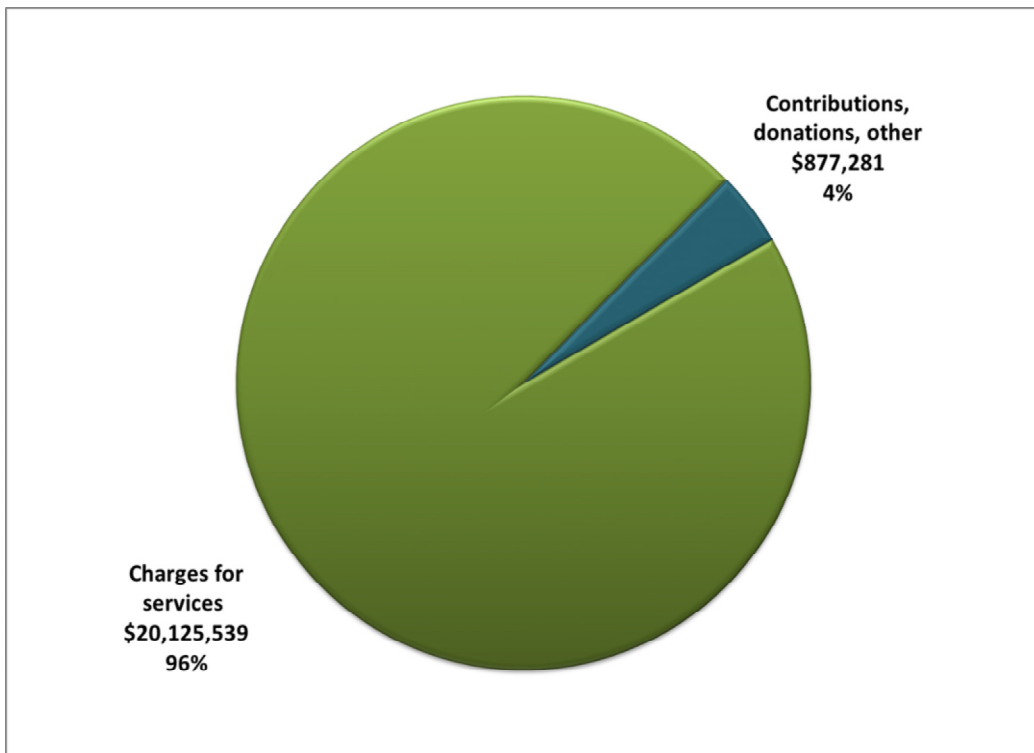
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PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



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Financial Analysis of Governmental Funds

As noted earlier, the City of University Park uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The City's financial statements are presented in conformity with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement changed the presentation of the fund balance section of governmental funds. Instead of classifying amounts as reserved, unreserved, designated or undesignated, the fund balance section uses the following categories:

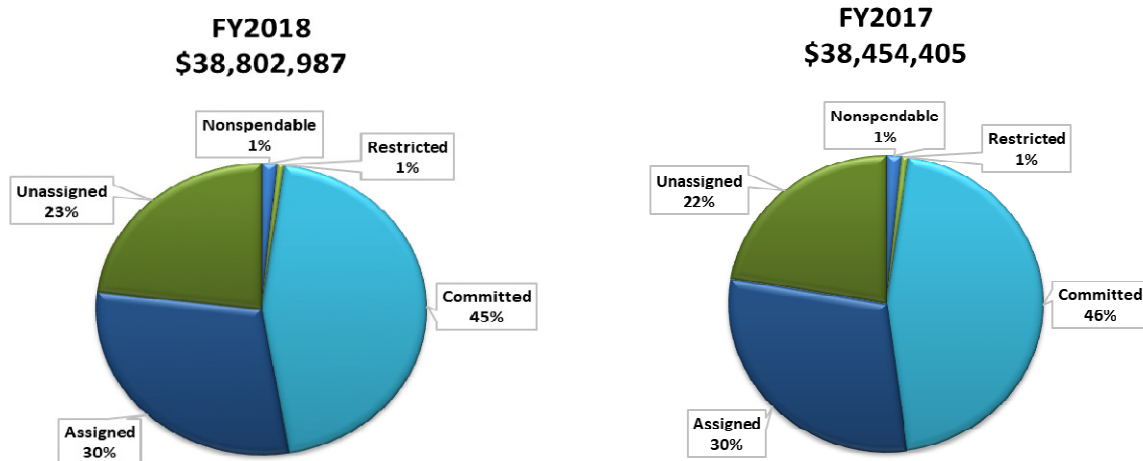
- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance*—an amount a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

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**Fund Balances by Type
Governmental Funds**



As of the end of FY2018, the City's governmental funds reported combined ending fund balances of \$38,802,987, an increase of \$348,582 (0.9%) compared to the prior year. Of the total, \$589,430 is nonspendable, as it represents fuel and supplies inventories and \$267,200 is restricted, as it may only be spent for the specific purposes set forth in the respective Special Revenue Fund.

The \$17,514,501 reported as "Committed" is governed by resolutions the City Council approved in 2009. Committed funds cannot be expended without further action by the City Council.

The \$11,464,441 of "Assigned" funds represents year-end encumbrances (open purchase orders) among the several governmental functions/activities, as well as money intended for capital projects.

Finally, the "Unassigned" balance of \$8,967,415 (all of which resides within the General Fund) meets and exceeds the City's stated fund balance policy minimum, which is equal to 30 days of budgeted operating expenditures (\$2,618,000 for FY2018).

As previously mentioned, building permits were a significant source of revenue within the General Fund during FY2018. While generally a steady source of revenue, large-scale commercial and non-profit projects (such as a new school building) can cause material, one-time increases in revenues. In order to provide a source of revenue for pay-as-you-go capital projects, and prevent the General Fund unassigned balance from growing too large, City Council amended the FY2018 Financial Management Policy to include a mandatory transfer of building permit revenues received in excess of 120% of budget to capital projects. For FY2018, this transfer amounted to \$1,594,412, with \$1,506,809 attributable to building permit revenues.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the Water and Sewer Fund at the end of the year amounted to \$61,309,833, while the Sanitation and Stormwater Funds totaled \$1,777,302 and \$2,008,846, respectively. Prior to transfer activity, the Water and Sewer, Sanitation and Storm water funds had incomes of \$1,993,512, \$69,930 and \$257,214, respectively.

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General Fund Budgetary Highlights

Original budget compared to final budget. During the year, two budget amendments were passed by City Council. The amendments dealt with two separate issues. The first amendment increased the Professional Services account within the Executive department by \$66,791 to account for the unbudgeted costs associated with a parking study for Snider Plaza. The second amendment authorized increases to the Regular Earnings and Concession Food Expense within the Pool department, in the amounts of \$31,863 and \$32,500, respectively. These amounts were amended to allow the City to provide concession serves at the newly renovated Holmes Aquatic Center, a function that had been outsourced in previous years. There were no other significant amendments to increase budgeted appropriations. Department Directors have the authority to re-allocate budgeted funds within their departments to accommodate minor variations, but may not increase their budget without Council approval.

The City does not generally amend the budget for an increase in revenues. As a matter of longstanding practice, the first amendment of the fiscal year brings forward open encumbrances (purchase orders) from the previous fiscal year. By adding the amount of the encumbered items to the current year adopted budget, purchases may be completed without exceeding the current approved budget. Consequently, purchase orders open at the end of the current year are carried over to the next fiscal year. The total carried forward in the General Fund from fiscal 2017 was \$309,933, while the total that will be carried forward to fiscal 2019 is \$248,846.

Final budget compared to actual results. Actual revenues collected exceeded management's original budget estimate of the General Fund's revenues by \$2,591,190, or 8%. The totals in four General Fund revenue categories varied more than \$225,000 from the final budget:

- Sales and Mixed Beverage taxes ended the year at \$4,558,780, or \$238,780 (6%) over budget. This is largely due to a favorable local economy and conservative fiscal budgeting. Budgeted sales tax collections for FY2019 have been increased to \$4,640,000, a \$320,000 (7%) increase from FY2018.
- Permit and license revenue ended the year at \$3,403,512, or \$1,794,012 (97%) above the category budget of \$1,609,500. The entire amount can be attributed to building permit revenue. The higher permit revenues reflects to the continuation of a number of "big ticket" projects in FY2018, as previously noted. Budgeted building permit revenue remains at \$1,500,000 for FY2019.
- Interest revenue exceeded the budgeted amount of \$300,000 by \$273,754 or 91%. Recognizing the increase in earnings and the likelihood that rate hikes may continue in the foreseeable future, budgeted revenue was increased by \$300,000 for FY2019 to \$600,000.
- "Other" revenue ended the year at \$1,200,985, which is \$610,485 (103%) above budget. As noted in prior years, the "Other" revenue category can be highly variable – and is thus difficult to budget. In FY2018, the most significant items within the category were a shortfall of \$200,000 regarding a longstanding library support contribution from the Friends of the University Park Library which was more than offset by a reimbursement from DART for TRIP eligible expenditures of \$895,218.
- Only the General Government function had a negative variance (\$13,023, or 0.2%) to budget. The following individual departments were over-budget within the function, but were largely offset by savings within other departments within the function:
 - Executive - \$30,303 over budget, or 2.3%. Mid-year departmental restructuring.
 - Finance - \$38,458 over budget, or 3.4%. Sales tax recovery contingency payments.
 - Human Resources - \$18,429 over budget, or 4.7%. Unbudgeted intern compensation.

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Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative attention from the media as governments of all sizes struggle to fund their commitments. The City of University Park is committed to providing programs in these areas that are fair to both the employees and taxpayers, and are sustainable over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used (including strategies for repaying any unfunded actuarial accrued liabilities) combined with the City's history of making those contributions provides insights regarding the cities commitment to the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

TMRS - On a reporting basis, the City's financial statements reflect a net pension asset for TMRS as of September 30, 2018 of \$2,275,730, which is (14.96%) of the City's annual covered non-firefighter payroll of \$15,216,231. This net pension asset is a change of \$6,088,007 from the \$3,812,277 net pension liability reported in the previous year and is due primarily to higher than expected investment returns.

FRRF - On a reporting basis, the City's financial statements reflect a net pension liability for the FRRF as of September 30, 2018 of \$13,825,174, which is 437.53% of the City's annual covered firefighter payroll of \$3,159,841. The increase is due in large part to a lowering of the discount rate assumption to 7.5% (from 8.0%) and a decrease in the assumed annual increase in payroll from 4.0% to 3.0%.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Effective for fiscal year 2018, GASB 75, "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB)" has replaced the previous authoritative guidance regarding the City's retiree health care benefits. Implementing this new standard requires the replacement of the previously reported Net OPEB Obligation with the newly required Total OPEB Liability (TOL). This was accomplished through a prior period adjustment as explained in Note I.E. "Implementation of new accounting principles". The TOL as of September 30, 2018 is \$996,099.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$128,130,154, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress, as illustrated in the following table:

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CITY OF UNIVERSITY PARK - Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$10,298,366	\$10,298,366	\$ 108,758	\$ 108,758	\$ 10,407,124	\$ 10,407,124
Construction in progress	5,105,304	1,889,897	2,686,817	2,293,580	7,792,121	4,183,477
Buildings	11,868,925	12,302,039	-	-	11,868,925	12,302,039
Improvements	32,027,858	32,284,464	49,343,454	50,197,353	81,371,312	82,481,817
Equipment	8,523,196	8,474,301	162,935	175,037	8,686,131	8,649,338
Infrastructure	8,004,541	8,326,325	-	-	8,004,541	8,326,325
Total Capital Assets	\$75,828,190	\$73,575,392	\$52,301,964	\$52,774,728	\$ 128,130,154	\$ 126,350,120

Capital assets (net of depreciation) related to governmental activities increased by \$2,252,798 in FY2018. Significant projects completed and capitalized during the year include asphalt overlays, City gateway enhancements, a "NextGen" 911 system, audio/video upgrades at City Hall, and the reconstruction of the John Roach track.

Business-type capital assets (also net of depreciation) decreased \$472,764 during fiscal 2018. Only one significant project was completed and capitalized during the year, the Northwest Highway elevated water tank reconditioning.

Additional detailed information on the City's capital assets (including information related to capital project spending, additions and retirements) can be found in Note III. E., in the Notes to Financial Statements section of this report.

Long-term Debt. The City of University Park has no debt. Currently, the City has no plans to issue new debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of University Park and were considered in developing the fiscal 2019 budget:

- The total certified value of the City's taxable base increased by 6.7% during calendar 2018, a marked improvement over the previous year increase of 2.19%. Given the increase in values and strong performance of other revenues, the FY2019 budget recommended a decrease in the tax rate to 24.5379 cents per \$100 of taxable value, from FY2018's 24.8761.
- While University Park offers a "standard" 20% homestead exemption based on market value, it also offers an additional 25% "Over-65 and Disabled" exemption to qualifying residents. The "Over-65 and Disabled" exemption is based on the prior calendar year market value of the average single-family home in the City, and is calculated as a single dollar amount applicable to all qualifying residences. In FY2019, this exemption amounted to \$387,000 per qualifying property.
- The strong local economy has positive effects on sales tax revenues. These revenues are expected to continue to creep upward. As previously mentioned, the FY2019 budget for sales and mixed beverage taxes increased \$290,000 to \$4,640,000.

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- Interest revenue was a particularly bright spot in the FY2018 results, and benefitted from the actions of the Federal Reserve during the year. Using the end of year rate as something of a “floor”, interest revenue for FY2019 has been doubled in the general Fund from \$300,000 to \$600,000.

In preparing its fiscal year 2019 budget, City officials looked for ways to avoid significant new expenditures, while responsibly funding commitments. The fiscal 2019 budget centers around three particular themes: people, infrastructure and service.

Regarding “people”, Council budgeted a 1% across-the-board, market-based adjustment for all City personnel while adding one full-time position dedicated to the Public Safety function. FY2019 also marks the first year of a three year phase-in process bringing the Mile-per-Year construction process in-house. It is anticipated the change will allow for faster, less expensive, and more customer-friendly utility line replacements. The first phase of the transition will require six additional positions within the Utility Fund in FY2019.

On the topic of infrastructure, the City continues to incrementally increase contributions to fund capital projects while looking for innovative partnerships to defray major costs. Significant upcoming projects include the continuing the Mile-per-Year water and sewer line replacement program, upgrading the City's undersized storm sewer system, replacement of the Public Safety radio system, and comprehensive infrastructure investment in retail shopping areas.

Providing essential public services and day-to-day operations, maintaining exceptional facilities and parks, as well as providing a high level of customer service necessitate a continued investment in materials, supplies technology and equipment. To that end, Capital Projects funding from the General Fund was increased another 5% in FY2019 in recognition of the increasing costs of materials and labor in the DFW market. While capital project funding was also increased 5% from the Water and Sewer Fund, a total of \$850,000 was “held back” from the total, to provide operating funds for the start of the in-house MPY department. Funding for the replacement of fleet vehicles remains strong, and is moderated only by the timing or deferral of vehicles purchases.

Finally, subsequent to the closure of the Firefighters Relief and Retirement Fund to new entrants, the City continues to explore options to ensure a fiscally sound and sustainable funding path for the FRRF. A quick boost to the Plan is a planned infusion of \$1,000,000 via a reduction in the fund balance of the Self-Insurance Fund during FY2019. A corresponding infusion will be made to TMRS as well.

Requests for Information

This financial report is designed to provide a general overview of the City of University Park's finances for all those with an interest in the government's finances. Readers having questions about any of the information in this report or needing additional information should contact Civic Yip, Controller, City of University Park, 3800 University Blvd., University Park, TX 75205, call 214-987-5310, or email cyip@uptexas.org.

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BASIC FINANCIAL STATEMENTS

CITY OF UNIVERSITY PARK, TEXAS
Statement of Net Position

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business type Activities	Total	Southwest Higher Education Authority
ASSETS				
Cash and cash equivalents	\$ 31,753,762	\$ 6,323,604	\$ 38,077,366	\$ -
Investments	22,855,745	2,987,697	25,843,442	-
Receivables	1,998,562	2,783,211	4,781,773	-
Due from primary government	-	-	-	55,000
Prepays	10,970	389,372	400,342	-
Internal balances	(8,982,204)	8,982,204	-	-
Inventory	589,430	-	589,430	-
Restricted cash	267,200	388,925	656,125	-
Net pension asset - TMRS	1,809,522	466,208	2,275,730	-
Capital assets:				
Nondepreciated assets				
Land	10,298,366	108,758	10,407,124	-
Construction in progress	5,105,304	2,686,817	7,792,121	-
Total nondepreciated assets	15,403,670	2,795,575	18,199,245	-
Depreciated assets				
Buildings	17,498,780	54,594	17,553,374	-
Improvements other than buildings	46,796,607	92,009,456	138,806,063	-
Machinery and equipment	18,515,023	373,567	18,888,590	-
Infrastructure	12,870,590	-	12,870,590	-
Accumulated depreciation	(35,256,480)	(42,931,228)	(78,187,708)	-
Total depreciated assets	60,424,520	49,506,389	109,930,909	-
Total assets	126,131,177	74,623,185	200,754,362	55,000
DEFERRED OUTFLOWS OF RESOURCES				
Difference in expected and actual pension/OPEB investment experience	201,631	18,816	220,447	-
Changes in pension/OPEB actuarial assumption	2,373,127	186,456	2,559,583	-
Difference in projected and actual pension/OPEB investment earning	84,647	-	84,647	-
Pension/OPEB contributions after measurement date	1,276,032	204,736	1,480,768	-
Total deferred outflow of resources	3,935,437	410,008	4,345,445	-
LIABILITIES				
Accounts payable	1,893,026	479,416	2,372,442	-
Accrued liabilities	638,817	324,534	963,351	-
Customer deposits/other	90,780	388,925	479,705	-
Unearned revenue	11,154	369,372	380,526	-
Due to component unit	55,000	-	55,000	-
Compensated absences:				
Due within one year	1,009,641	241,857	1,251,498	-
Due beyond one year	1,361,455	353,472	1,714,927	-
Net pension liability - FRRF	13,825,174	-	13,825,174	-
Total OPEB obligation	830,967	165,132	996,099	-
Total liabilities	19,716,014	2,322,708	22,038,722	-
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension/OPEB investment experience	1,701,478	-	1,701,478	-
Difference in projected and actual pension/OPEB investment earning	1,882,503	454,824	2,337,327	-
Total deferred inflow of resources	3,583,981	454,824	4,038,805	-
NET POSITION				
Investment in capital assets	75,828,190	52,301,964	128,130,154	-
Restricted to:				
General Government	29,142	-	29,142	-
Public Safety	177,984	-	177,984	-
Parks	60,074	-	60,074	-
Unrestricted	30,671,229	19,953,697	50,624,926	55,000
Total net position	\$ 106,766,619	\$ 72,255,661	\$ 179,022,280	\$ 55,000

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Statement of Activities

For the Year Ended September 30, 2018

		Net (Expenses) Revenues and Changes in Net Position				
		Primary Government			Component Units	
					Southwest Higher	
					Education	
Functions/Programs	Expenses	Program Revenues Charges for Services	Governmental Activities	Business type Activities	Total	Authority
Primary government						
Governmental activities:						
General Government	\$ 6,541,706	\$ 63,377	\$ (6,478,329)	\$ -	\$ (6,478,329)	\$ -
Public Safety	15,230,494	2,391,984	(12,838,510)	-	(12,838,510)	-
Streets	1,897,537	-	(1,897,537)	-	(1,897,537)	-
Parks	4,095,819	388,202	(3,707,617)	-	(3,707,617)	-
Public Works	2,788,705	3,308,409	519,704	-	519,704	-
Total governmental activities	30,554,261	6,151,972	(24,402,289)	-	(24,402,289)	-
Business type activities:						
Utilities	15,302,739	16,548,841	-	1,246,102	1,246,102	-
Sanitation	2,946,676	3,100,506	-	153,830	153,830	-
Stormwater	234,719	476,192	-	241,473	241,473	-
Total business type activities	18,484,134	20,125,539	-	1,641,405	1,641,405	-
Total primary government	\$ 49,038,395	\$ 26,277,511	(24,402,289)	1,641,405	(22,760,884)	-
Component units						
SWHEA	-	-	-	-	-	20,000
Total component units	\$ -	\$ -	-	-	-	20,000
General revenues:						
Property tax			18,999,877	-	18,999,877	-
Sales tax			4,558,780	-	4,558,780	-
Franchise taxes			1,848,515	-	1,848,515	-
Interest			697,960	115,711	813,671	-
Other			1,220,981	761,570	1,982,551	-
Donations not restricted to specific programs			67,313	-	67,313	-
Transfers			(407,988)	407,988	-	-
Total general revenues and transfers			26,985,438	1,285,269	28,270,707	-
Changes in net position			2,583,149	2,926,674	5,509,823	20,000
Net position - beginning			104,183,470	69,328,987	173,512,457	35,000
Net position - ending			\$106,766,619	\$72,255,661	\$ 179,022,280	\$ 55,000

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS

Balance Sheet Governmental Funds

September 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 19,482,747	\$ 5,151,715	\$ 89,427	\$ 24,723,889
Investments	20,872,205	-	-	20,872,205
Receivables:				
Ad valorem tax	179,328	-	-	179,328
Sales tax	839,853	-	-	839,853
Franchise fees	437,609	-	-	437,609
Accrued interest	91,621	-	-	91,621
Other, net	441,079	-	-	441,079
Due from other funds	-	7,216,629	177,773	7,394,402
Inventory	589,430	-	-	589,430
Total assets	<u>\$ 42,933,872</u>	<u>\$ 12,368,344</u>	<u>\$ 267,200</u>	<u>\$ 55,569,416</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 659,888	\$ 1,150,130	\$ -	\$ 1,810,018
Accrued liabilities	453,535	2,619	-	456,154
Customer deposits/other	90,780	-	-	90,780
Due to other funds	14,091,624	-	-	14,091,624
Due to component unit	55,000	-	-	55,000
Total liabilities	<u>15,350,827</u>	<u>1,152,749</u>	<u>-</u>	<u>16,503,576</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>262,853</u>	<u>-</u>	<u>-</u>	<u>262,853</u>
Total deferred inflows of resources	<u>262,853</u>	<u>-</u>	<u>-</u>	<u>262,853</u>
Fund Balances:				
Nonspendable	589,430	-	-	589,430
Spendable				
Restricted to:				
General Government	-	-	29,142	29,142
Public Safety	-	-	177,984	177,984
Parks	-	-	60,074	60,074
Committed to:				
SMU land sale	12,639,501	-	-	12,639,501
Emergency expenditures	2,500,000	-	-	2,500,000
SMU PILOT	2,375,000	-	-	2,375,000
Assigned to:				
General Government	15,015	11,215,595	-	11,230,610
Public Works	56,998	-	-	56,998
Public Safety	114,992	-	-	114,992
Parks	61,841	-	-	61,841
Unassigned	<u>8,967,415</u>	<u>-</u>	<u>-</u>	<u>8,967,415</u>
Total fund balances	<u>27,320,192</u>	<u>11,215,595</u>	<u>267,200</u>	<u>38,802,987</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,933,872</u>	<u>\$ 12,368,344</u>	<u>\$ 267,200</u>	<u>\$ 55,569,416</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position

September 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 38,802,987
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Amount excludes Internal Service Funds' fixed assets.	69,599,998
Certain receivables will be collected this year, but are not available to pay for the current period's expenditures and are, therefore, unavailable in the funds.	251,699
This amount is the net pension asset (TMRS) recorded at the government-wide level, not recorded in any governmental funds. Amount excludes Internal Service Funds' pension assets.	1,753,022
This amount is the net other post-employment benefits obligation (OPEB) recorded at the government-wide level, not recorded in the funds. Amount excludes Internal Service Funds' OPEB liability.	(801,095)
This amount is the net pension liability (FRRF) recorded at the government-wide level, not recorded in the funds.	(13,825,174)
This amount is the net deferred inflow/outflow recorded at the government-wide level, not recorded in the funds. Amount excludes Internal Service Funds' deferred outflows/inflows.	322,823
The long-term portion of compensated absences is not due and payable in the current period and therefore is not reported in the funds. Amount excludes Internal Service Funds' compensated absences.	(2,099,329)
Internal service funds are used by management to charge the costs of various services to individual funds. The governmental portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>12,761,688</u>
Total net position - governmental activities	<u><u>\$ 106,766,619</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds

For the Year Ended September 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax	\$ 19,006,152	\$ -	\$ -	\$ 19,006,152
Sales tax	4,558,780	-	-	4,558,780
Franchise fees	1,848,515	-	-	1,848,515
Permits and licenses	3,403,512	-	-	3,403,512
Fines	792,417	-	25,690	818,107
Charges for services	1,914,328	-	-	1,914,328
Other	1,212,985	-	141	1,213,126
Investment income	617,353	80,546	61	697,960
Donations	-	-	75,167	75,167
	<u>33,354,042</u>	<u>80,546</u>	<u>101,059</u>	<u>33,535,647</u>
Total revenues				
	<u>33,354,042</u>	<u>80,546</u>	<u>101,059</u>	<u>33,535,647</u>
EXPENDITURES				
Current:				
General Government	4,868,445	-	49,956	4,918,401
Public Safety	14,034,571	-	7,664	14,042,235
Streets	1,666,834	-	-	1,666,834
Parks	3,469,872	-	62,922	3,532,794
Public Works	2,537,195	-	-	2,537,195
Capital Outlays	-	5,613,757	-	5,613,757
	<u>26,576,917</u>	<u>5,613,757</u>	<u>120,542</u>	<u>32,311,216</u>
Total expenditures				
	<u>26,576,917</u>	<u>5,613,757</u>	<u>120,542</u>	<u>32,311,216</u>
Excess (deficiency) of revenues over (under) expenditures	6,777,125	(5,533,211)	(19,483)	1,224,431
	<u>6,777,125</u>	<u>(5,533,211)</u>	<u>(19,483)</u>	<u>1,224,431</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,594,617	-	5,594,617
Transfers out	(6,446,505)	-	(23,961)	(6,470,466)
	<u>(6,446,505)</u>	<u>5,594,617</u>	<u>(23,961)</u>	<u>(875,849)</u>
Total other financing sources (uses)				
	<u>(6,446,505)</u>	<u>5,594,617</u>	<u>(23,961)</u>	<u>(875,849)</u>
Net change in fund balances	330,620	61,406	(43,444)	348,582
Fund balances - beginning	26,989,572	11,154,189	310,644	38,454,405
	<u>26,989,572</u>	<u>11,154,189</u>	<u>310,644</u>	<u>38,454,405</u>
Fund balances - ending	<u>\$ 27,320,192</u>	<u>\$ 11,215,595</u>	<u>\$ 267,200</u>	<u>\$ 38,802,987</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 348,582
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, exclusive of the capital asset activity of internal service funds.

Capital expenditures	5,613,757	
Depreciation expense	(2,919,346)	
		2,694,411

Revenues in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.	9,750
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This amount is the net effect from the sales of capital assets at the government-wide level, not recorded in the funds.	(51,297)
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This amount is the net TMRS pension expense recorded at the government-wide level, not recorded in the funds.	(407,797)
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This amount is the net other post-employment benefits expense recorded at the government-wide level, not recorded in the funds.	5,164
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This amount is the net FRRF pension expense recorded at the government-wide level, not recorded in the funds.	(831,772)
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This amount is the change in the long-term portion of compensated absences, and as such, it is not reported in the funds.	(148,271)
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Internal service funds are used by management to charge the costs of vehicle service, repair and replacement and various insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	964,379
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Change in net position of governmental activities	<u>\$ 2,583,149</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS

**Statement of Net Position
Proprietary Funds**

September 30, 2018

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Nonmajor Enterprise Fund -				
	Water and Sewer	Sanitation	Stormwater	Total	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,520,148	\$ 291,299	\$ 1,512,157	\$ 6,323,604	\$ 7,297,073
Investments	1,992,726	994,971	-	2,987,697	1,983,540
Receivables (net of allowance)	2,304,391	412,809	66,011	2,783,211	9,072
Due from other funds	1,754,337	229,730	478,024	2,462,091	6,856,216
Prepays	-	45,808	-	45,808	10,970
Total current assets	<u>10,571,602</u>	<u>1,974,617</u>	<u>2,056,192</u>	<u>14,602,411</u>	<u>16,156,871</u>
Non-current assets					
Prepays	-	343,564	-	343,564	-
Restricted cash	388,925	-	-	388,925	-
Pension - TMRS	289,251	176,957	-	466,208	56,500
Capital assets:					
Land	108,758	-	-	108,758	-
Buildings	54,594	-	-	54,594	-
Improvements other than buildings	92,009,456	-	-	92,009,456	-
Machinery and equipment	115,077	258,490	-	373,567	12,626,364
Construction in progress	2,686,817	-	-	2,686,817	-
Less accumulated depreciation	(42,808,676)	(122,552)	-	(42,931,228)	(6,398,172)
Total capital assets (net of accumulated depreciation)	<u>52,166,026</u>	<u>135,938</u>	<u>-</u>	<u>52,301,964</u>	<u>6,228,192</u>
Total non-current assets	<u>52,844,202</u>	<u>656,459</u>	<u>-</u>	<u>53,500,661</u>	<u>6,284,692</u>
Total assets	<u>63,415,804</u>	<u>2,631,076</u>	<u>2,056,192</u>	<u>68,103,072</u>	<u>22,441,563</u>
DEFERRED OUTFLOW OF RESOURCES					
Difference in expected and actual pension/OPEB investment experience	9,767	9,049	-	18,816	2,470
Changes in pension/OPEB actuarial assumption	100,676	85,780	-	186,456	44,172
Pension/OPEB contributions after measurement date	<u>115,796</u>	<u>88,940</u>	<u>-</u>	<u>204,736</u>	<u>37,623</u>
Total deferred outflow of resources	<u>226,239</u>	<u>183,769</u>	<u>-</u>	<u>410,008</u>	<u>84,265</u>
LIABILITIES					
Current liabilities					
Accounts payable	420,898	11,176	47,342	479,416	83,008
Accrued liabilities	275,083	49,447	4	324,534	334,620
Unearned revenue	-	45,808	-	45,808	-
Accrued compensated absences	156,932	84,925	-	241,857	53,303
Due to other funds	<u>494,694</u>	<u>144,873</u>	<u>-</u>	<u>639,567</u>	<u>1,981,518</u>
Total current liabilities	<u>1,347,607</u>	<u>336,229</u>	<u>47,346</u>	<u>1,731,182</u>	<u>2,452,449</u>
Non-current liabilities					
Unearned revenue	-	323,564	-	323,564	-
Total OPEB liability	92,562	72,570	-	165,132	29,872
Customer deposits - payable from restricted cash	388,925	-	-	388,925	-
Accrued compensated absences	<u>234,085</u>	<u>119,387</u>	<u>-</u>	<u>353,472</u>	<u>66,507</u>
Total non-current liabilities	<u>715,572</u>	<u>515,521</u>	<u>-</u>	<u>1,231,093</u>	<u>96,379</u>
Total liabilities	<u>2,063,179</u>	<u>851,750</u>	<u>47,346</u>	<u>2,962,275</u>	<u>2,548,828</u>
DEFERRED INFLOW OF RESOURCES					
Difference in projected and actual pension/OPEB investment earning	<u>269,031</u>	<u>185,793</u>	<u>-</u>	<u>454,824</u>	<u>55,632</u>
Total deferred inflow of resources	<u>269,031</u>	<u>185,793</u>	<u>-</u>	<u>454,824</u>	<u>55,632</u>
NET POSITION					
Investment in capital assets	52,166,026	135,938	-	52,301,964	6,228,192
Unrestricted	<u>9,143,807</u>	<u>1,641,364</u>	<u>2,008,846</u>	<u>12,794,017</u>	<u>13,693,176</u>
Total net position	<u>\$ 61,309,833</u>	<u>\$ 1,777,302</u>	<u>\$ 2,008,846</u>	<u>65,095,981</u>	<u>\$ 19,921,368</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>7,159,680</u>	
Net position of business type activities				<u>\$ 72,255,661</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds

For the Year Ended September 30, 2018

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Nonmajor Enterprise				
	Water and Sewer	Sanitation	Fund - Stormwater	Total	
Operating revenues					
Charges for sales and services:					
Water sales	\$10,681,485	\$ -	\$ -	\$ 10,681,485	\$ -
Sewer	5,867,356	-	-	5,867,356	-
Refuse collection	-	2,780,026	-	2,780,026	-
Recycling	-	320,480	-	320,480	-
Stormwater	-	-	476,192	476,192	-
Charges for service	-	-	-	-	1,942,881
Premiums	-	-	-	-	4,372,826
Other revenue	761,070	500	-	761,570	-
Total operating revenues	17,309,911	3,101,006	476,192	20,887,109	6,315,707
Operating expenses					
Personnel services	2,885,456	2,107,207	-	4,992,663	865,902
Contractual and other services	9,514,079	803,237	234,719	10,552,035	192,236
Depreciation	2,044,088	6,769	-	2,050,857	901,602
Supplies and other	263,789	122,820	-	386,609	25,340
Administrative and fiscal services	700,000	-	-	700,000	879,124
Claims paid and change in estimate	-	-	-	-	2,914,030
Total operating expenses	15,407,412	3,040,033	234,719	18,682,164	5,778,234
Operating income (loss)	1,902,499	60,973	241,473	2,204,945	537,473
Nonoperating revenues					
Investment income	91,013	8,957	15,741	115,711	95,889
Gain on sale of capital assets	-	-	-	-	61,186
Income (loss) before transfers	1,993,512	69,930	257,214	2,320,656	694,548
Tranfers					
Transfers from other funds	407,988	-	-	407,988	467,861
Total transfers	407,988	-	-	407,988	467,861
Change in net position	2,401,500	69,930	257,214	2,728,644	1,162,409
Total net position - beginning, restated, see Note I.E.	58,908,333	1,707,372	1,751,632		18,758,959
Total net position - ending	\$61,309,833	\$1,777,302	\$ 2,008,846		\$ 19,921,368
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				198,030	
Change in net position of business type activities				\$ 2,926,674	

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS
Statement of Cash Flows
Proprietary Funds

For the Year ended September 30, 2018

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Nonmajor Enterprise Fund -				
	Water and Sewer	Sanitation	Stormwater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$17,514,237	\$ 3,108,283	\$ 472,184	\$21,094,704	\$ 6,315,707
Payments (to) from other funds	(1,353,666)	1,141,481	777,372	565,187	3,114,389
Payments to suppliers	(10,400,574)	(923,282)	(207,991)	(11,531,847)	(3,953,756)
Payments to employees	(2,607,032)	(2,049,169)	-	(4,656,201)	(837,955)
Net cash provided by operating activities	<u>3,152,965</u>	<u>1,277,313</u>	<u>1,041,565</u>	<u>5,471,843</u>	<u>4,638,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,578,093)	-	-	(1,578,093)	(511,285)
Transfers from other funds	407,988	-	-	407,988	467,861
Proceeds from sale of capital assets	-	-	-	-	61,185
Net cash used in capital and related financing activities	<u>(1,170,105)</u>	<u>-</u>	<u>-</u>	<u>(1,170,105)</u>	<u>17,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(992,771)	(992,771)	-	(1,985,542)	-
Interest on investments	85,664	6,757	15,741	108,162	108,795
Net cash provided by (used in) investing activities	<u>(907,107)</u>	<u>(986,014)</u>	<u>15,741</u>	<u>(1,877,380)</u>	<u>108,795</u>
Net increase in cash and cash equivalents	1,075,753	291,299	1,057,306	2,424,358	4,764,941
Cash and cash equivalents (including \$418,910 restricted cash), beginning of year	<u>3,833,320</u>	<u>-</u>	<u>454,851</u>	<u>4,288,171</u>	<u>2,532,132</u>
Cash and cash equivalents (including \$388,925 restricted cash), end of year	<u>\$ 4,909,073</u>	<u>\$ 291,299</u>	<u>\$ 1,512,157</u>	<u>\$ 6,712,529</u>	<u>\$ 7,297,073</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income	\$ 1,902,499	\$ 60,973	\$ 241,473	\$ 2,204,945	\$ 537,473
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	2,044,088	6,769	-	2,050,857	901,602
Decrease in due from other funds	259,641	4,456,432	777,372	5,493,445	3,166,413
Decrease in pension/OPEB and deferred outflow	68,326	53,853	-	122,179	21,377
(Increase) decrease in accounts receivable	237,708	10,753	(4,008)	244,453	-
Decrease in prepaid expenses	-	45,808	-	45,808	-
Increase in interest receivable	(3,397)	(3,476)	-	(6,873)	-
Increase in accrued liabilities	257,407	6,960	26,728	291,095	63,544
Decrease in unearned gain	-	(45,808)	-	(45,808)	-
Decrease in due to other funds	(1,613,307)	(3,314,951)	-	(4,928,258)	(52,024)
Total adjustments	<u>1,250,466</u>	<u>1,216,340</u>	<u>800,092</u>	<u>3,266,898</u>	<u>4,100,912</u>
Net cash provided by operating activities	<u>\$ 3,152,965</u>	<u>\$ 1,277,313</u>	<u>\$ 1,041,565</u>	<u>\$ 5,471,843</u>	<u>\$ 4,638,385</u>
NON-CASH INVESTING ACTIVITIES					
Change in the fair value of investments	<u>\$ 544</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 2,744</u>	<u>\$ (11,861)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of University Park ("the City") relating to the funds included in the accompanying financial statements conform to the generally accepted accounting principles in the United States of America applicable to local governments. The following represent the more significant accounting and reporting policies and practices used by the City.

A. Reporting entity

The City was incorporated April 17, 1924, to operate as a general law city. Until 1989, a three-member Board of Commissioners served as the elected governing body. On November 9, 1989, University Park voters approved a Home Rule Charter, and the governing body for the City became the five-member City Council. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to provide the following services: public safety (police and fire), public works, planning, building inspection, sanitation, water and sewer utilities, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. The blended component unit, although a legally separate entity, is in substance part of the government's operations. See note below for description to emphasize that it is legally separate from the government.

Blended component unit. The University Park Civic Foundation, Inc. ("the Foundation") is a tax-exempt, non-profit corporation established in 1987 to promote public safety as well as charitable, scientific, literary and educational activities. The Foundation was created to make monetary contributions to the City for the general public purpose of assisting the City in undertaking any lawful civic endeavor. Although the Foundation's Board of Directors appoints its own successors, by practice the Board has always been comprised of three University Park City Council members. The City's Director of Finance also serves as the Foundation's Assistant Secretary/Assistant Treasurer. The Foundation is reported as a special revenue fund in the City's financial statements and does not issue separate audited financial statements.

Discretely presented component units. Created with assistance from the City in 1985, the Texas Higher Education Authority, Inc. ("THEA") provides low-interest construction loans to private higher education institutions. The City Council appoints all Board members of THEA, and may remove them at will. Upon dissolution, THEA's net worth will revert to the City. THEA's operating and capital expenditures, including debt service, were financed entirely by its bond issues. Subsequent to the mandatory redemption of all outstanding bonds in December of 2003, substantially all of THEA's remaining net worth was transferred to the City. THEA is reported as an enterprise fund and has a December 31 fiscal year-end. THEA is comprised of a single fund, and separate financial statements are not prepared. In accordance with the resolution of the Board, all fund balances in THEA were transferred to the City during fiscal year 2013. Although THEA has not been dissolved, there were no transactions during fiscal year 2018. Therefore, this component unit is not presented in the City's fiscal year 2018 financial statements.

A second discretely presented component unit, the Southwest Higher Education Authority, Inc. ("SWHEA"), issues tax-exempt debt solely for the benefit of Southern Methodist University. Sponsored by the City, SWHEA was incorporated in 1983. The City Council appoints all Board members of SWHEA and may remove them at will. SWHEA pays the City a fee of \$15,000 for each bond issuance up to \$50 million, a

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

fee of \$20,000 for an issue from \$50 to \$100 million, and a fee of \$25,000 for an issue over \$100 million. As of September 30, 2018, SWHEA had issued nine series of bonds with an aggregate outstanding principal amount payable of \$495,595,000. These bonds are considered conduit debt of SWHEA and are reported in the financial statements of Southern Methodist University. SWHEA is reported as an enterprise fund and has a December 31 fiscal year-end. SWHEA is comprised of a single fund, and separate financial statements of SWHEA are not prepared. There were no transactions in SWHEA during fiscal year 2018.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from support. Likewise, the primary government is reported separately from the discretely presented component units which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, fees, interest and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statements presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

However, expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Ad valorem taxes, sales taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – Accounts for the ordinary operations of the City financed from taxes and other general revenues. It is used to account for all financial resources except those required to be accounted for in another fund by law or contractual agreement.

Capital Projects Fund – Accounts for the acquisition of capital assets or the construction of major capital projects not being financed by proprietary funds.

The City reports the following major and nonmajor proprietary funds:

Water and Sewer Fund – Accounts for the provision of water and sewer services to the residents of the City.

Sanitation Fund – Accounts for the provision of sanitation services to the residents of the City.

Stormwater Fund – Accounts for the provision of stormwater services to the residents of the City.

The City reports the following additional funds:

Nonmajor governmental special revenue funds:

University Park Civic Foundation – Accounts for the donations to and activities of the University Park Civic Foundation.

Court Security – Accounts for the collection and use of the Municipal Court security fee charged to defendants in accordance with state law.

Court Technology – Accounts for the collection and use of the Municipal Court technology fee charged to defendants in accordance with state law.

Police Training and Education – Accounts for the use of monies received for police training and education purposes.

Police Forfeiture – Accounts for awards of monies by the courts to the Police Department. The administration of this fund is legally restricted to the police and the resources are to be used for police activities.

Fire Training and Education – Accounts for the use of monies received for Fire Department training and education.

Library – Accounts for the use of monies received for the City library.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Parks Projects and Programs – Accounts for the use of monies received for City park projects and programs.

Internal service funds:

Equipment Services Fund – Accounts for the costs associated with the acquisition and maintenance of specific equipment through the rental of it to other departments.

Comprehensive Self-Insurance Fund – Accounts for the costs associated with the general liability, property and casualty, workers' compensation, and employee health self-insurance program established by the City.

As a general rule, the effect of interfund activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues generally include charges to customers or applicants for goods, services, or privileges provided. Franchise fees, interest earnings and donations are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's water and sewer, sanitation and stormwater enterprise funds and of the equipment service and self-insurance internal service funds are charges to customers for sales or services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund balances are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is the residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance. In all other governmental funds, an unassigned balance is limited to negative residual fund balance. For further explanation of the various fund balance classifications refer to Note I.D.9.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

D. Assets, liabilities, and net position or fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City uses a pooled cash approach, in which only one fund (the General Fund) has a "cash" account for making investment transactions.

Obligations with maturities of one year or less when purchased are reported at their amortized cost, while investments with maturities greater than one year are reported at fair value. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost. Interest income is allocated to the individual funds based on the funds' proportion of the pooled investments, or specific investment holdings.

The City's investment policy permits investments in U.S. Treasury and Agency obligations, municipal securities, certificates of deposit, local government investment pools, certain money market mutual funds and repurchase agreements. The investment policy is reviewed and approved annually by the Finance Advisory Committee and the City Council and includes all City funds.

2. Receivables and payables

All outstanding balances between funds are reported as "due to/from other funds." Residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Trade accounts receivable over 365 days old are the basis for the trade accounts receivable allowance for uncollectible calculation.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1. They are considered past due 120 days after the respective tax billing date, at which time an enforceable lien attaches.

3. Inventories and prepaid items

Inventories are valued at a weighted average cost. In accordance with the consumption method of accounting, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

4. Restricted assets

The City classifies customer deposits in proprietary funds and assets from nonmajor governmental funds as restricted.

5. Interfund transactions

Reimbursements between funds are recorded as expenditures or expenses in the reimbursing fund and reductions of expenditures or expenses in the reimbursed fund. All legally authorized transfers are included in the results of operations of both governmental and proprietary funds.

The City's internal service funds – Equipment Services and Comprehensive Self-Insurance – record charges for services as operating revenues. The respective user funds record the related operating expenditures or expenses, as appropriate.

Nonrecurring or non-routine transfers of equity between funds – for example, the transfer of residual balances of discontinued funds to other funds – are accounted for as transfers.

Transactions that occur between the primary government and the component units are classified as “due to/from the primary government/component unit.”

6. Capital assets

Capital assets, which include land, buildings, improvements, infrastructure (e.g., roads, bridges, sidewalks and similar items) and equipment are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as either assets with an individual cost of more than \$5,000 during acquisition or capital projects exceeding \$50,000 in accumulated expenses, and with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Completed capital project does not meet both of these criteria would be expensed through depreciation expense on the completion year. Donated capital assets are recorded at acquisition value at the date of donation. The City did not obtain any assets through service concession arrangements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

The City's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	20-30
Infrastructure	40
Equipment	4-25

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

7. Compensated absences

It is City policy to permit employees to accumulate certain limited vacation and sick pay benefits. The equivalent of two years of earned but unused vacation earnings may be accumulated and carried over from year to year. Any vacation leave in excess of this amount is forfeited. Upon termination in good standing, employees are paid for unused vacation.

Employees are able to accumulate unlimited sick leave while employed. However, a maximum of 90 days accumulated sick leave will be paid out upon retirement. Any unused sick leave above this amount is forfeited. A liability has been recognized for the portion of vacation and accumulated sick leave benefits estimated payable in both the following year and upon retirement for all employees. The retirement of this liability is paid from the General Fund, Proprietary Funds or Internal Service Funds based upon the assignment of the employee at termination.

8. Long-term obligations

In addition to the portion of compensated absences estimated payable after September 30, 2018, the City also recognizes the actuarially determined net pension liability and other post-employment benefits as long-term obligations of the City.

9. Fund balance

In accordance with GASB 54, the City classifies governmental fund balance as follows:

Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because they are not in a spendable form, or because of legal or contractual requirements.

Spendable Fund Balance

Restricted – Includes fund balance amounts that can only be spent for the particular purpose stipulated by external resource providers either contractually, constitutionally or through enabling legislation.

Committed – Includes fund balance amounts that can only be spent for the specific purposes determined by formal action of the government's highest level of decision-making authority.

Commitments may be modified or rescinded only by the government taking the same formal action that imposed the constraint originally. In the City of University Park, fund balance is committed by resolution of the City Council.

Assigned – Includes amounts intended to be used by the government for specific purposes. For this purpose, intent may be expressed by the governing body or by an official or body to which the governing body has delegated such authority. In accordance with the City Financial Management

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Policies, the City Council has authorized the City Manager to assign fund balance to a specific purpose. In practice, actions resulting in the assignment of fund balance may be taken by department directors. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – Includes the residual positive fund balance within the General Fund and includes all amounts not contained in any of the above classifications. Unassigned fund balance is available for any valid governmental purpose and may include negative balances for any governmental fund in which expenditures exceed the amount restricted, committed or assigned for those specific purposes. In accordance with the City Financial Management Policies, “it is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to at least 30 days of expenditures to mitigate financial risk that can occur from unforeseen revenue fluctuations, significant unanticipated expenditures and natural disasters.”

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted category of funds before spending the next most restricted category with available funds. Normally, this will result in the uses of committed, then assigned, and lastly, unassigned fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize unassigned fund balance before considering the use of its emergency funds.

Although established by ordinance in 1976 and again in 1980, the City Council re-authorized the maintenance of a \$2,500,000 emergency reserve during fiscal 2011 through the adoption of Resolution 11-08. The emergency reserve “shall be available for expenditure upon authorization of the City Council for emergency relief of economic or natural disaster or other urgent purpose for which the Council sees fit.”

The following is an explanation of the fund balance classifications, other than those assigned, as presented on the Governmental Funds Balance Sheet:

Nonspendable Fund Balance – The portion of fund balance indicating items (such as inventory) that are not in spendable form.

Restricted Fund Balance – Includes fund balance amounts that can only be spent for the particular purpose stipulated by external resource providers either contractually, constitutionally or through enabling legislation.

Committed Fund Balance

SMU Land Sale – Committed by City Council resolution to remain invested in the General Fund providing interest earnings until such time as recommendations for use are made by a special review committee.

Emergency Expenditures – Committed by City Council resolution for emergency expenditures. May be added as necessary to future budgets by supplemental appropriations action.

SMU PILOT (Payment In Lieu of Taxes) – Committed by City Council resolution to remain invested in perpetuity, providing interest earnings to the General Fund.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

10. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB liability (asset), deferred outflows and deferred inflows of resources and expense, information about the fiduciary net position of Texas Municipal Retirement System (TMRS), Firemen's Relief and Retirement Fund (FRRF) and total position of Other Postemployment Benefit (OPEB) and additions to/deductions from Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. For this purpose, Plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The City allocates the net pension asset and liability, total OPEB liability, deferred outflows of resources, deferred inflows of resources and pension/OPEB expenses based on the employee count in each functional areas. Investments are reported at fair value.

11. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities, and at the fund level for the proprietary statement of net position.

The City has four items that qualify for reporting in this category: (1) The City's pension and OPEB plan contributions made from the measurement date of the pension and OPEB plans to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year. (2) The difference between projected and actual earnings on pension and OPEB plans investments are deferred and recognized as pension and OPEB plans expense over a closed five-year period as required by GASB 68 and GASB 75. (3) The difference between the expected experience and the actual experience in the actuarial measurement of the total pension liabilities and total OPEB liability not recognized in the current year. (4) The changes in actuarial assumption for the current year. The last two amounts are deferred and amortized over a period of years determined by the plan actuaries. The amortization period is based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan (active and inactive employees) and OPEB (inactive employees) for the City determined as the beginning of the measurement date.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has three items that qualifies for reporting in this category for governmental fund and government-wide level. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. This amount is deferred and recognized as an inflow of resources in the period it becomes available to the City. In the government-wide level, the difference between the expected experience and the actual experience in the actuarial measurement of the total FRRF and TMRS pension liability not recognized in the current year, this amount is deferred and amortized over a period of years determined by the plan actuary, and the difference between

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

projected and actual earnings on pension plan investments are not deferred and recognized as pension plan income over a closed five-year period as required by GASB 68 and GASB 75.

The deferred outflows/inflows as of September 30, 2018 for the City's pension and OPEB plans are as follow:

	TMRS	FRRF	OPEB	TOTAL
Government-wide				
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ 196,135	\$ -	\$ 24,312	\$ 220,447
Changes in actuarial assumptions	795,257	1,729,789	34,537	2,559,583
Difference in projected and actual investment earning	-	84,647	-	84,647
Employer's contributions after measurement date	916,099	500,298	64,371	1,480,768
Total	\$ 1,907,491	\$ 2,314,734	\$ 123,220	\$ 4,345,445
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 117,315	\$ 1,584,163	\$ -	\$ 1,701,478
Changes in actuarial assumptions	-	-	-	-
Difference in projected and actual investment earning	2,337,327	-	-	2,337,327
Employer's contributions after measurement date	-	-	-	-
Total	\$ 2,454,642	\$ 1,584,163	\$ -	\$ 4,038,805
Proprietary Funds				
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ 14,873	\$ -	\$ 3,943	\$ 18,816
Changes in actuarial assumptions	180,854	-	5,602	186,456
Difference in projected and actual investment earning	-	-	-	-
Employer's contributions after measurement date	194,295	-	10,441	204,736
Total	\$ 390,022	\$ -	\$ 19,986	\$ 410,008
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in actuarial assumptions	-	-	-	-
Difference in projected and actual investment earning	454,824	-	-	454,824
Employer's contributions after measurement date	-	-	-	-
Total	\$ 454,824	\$ -	\$ -	\$ 454,824
Internal Service Funds				
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ 1,745	\$ -	\$ 725	\$ 2,470
Changes in actuarial assumptions	43,143	-	1,029	44,172
Difference in projected and actual investment earning	-	-	-	-
Employer's contributions after measurement date	35,705	-	1,918	37,623
Total	\$ 80,593	\$ -	\$ 3,672	\$ 84,265
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in actuarial assumptions	-	-	-	-
Difference in projected and actual investment earning	55,632	-	-	55,632
Employer's contributions after measurement date	-	-	-	-
Total	\$ 55,632	\$ -	\$ -	\$ 55,632

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

E. Implementation of new accounting principles

The GASB has issued the following pronouncements which became effective for the fiscal year 2018.

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirement of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. As a result of implementation, the beginning net position as related to the total OPEB liability and related deferred outflows of resources was restated by the following value.

	Government Wide		FUND LEVEL		
	Statement of Activities		Proprietary Fund		Internal Service
	Governmental Activities	Business Activities	Water and Sewer Fund	Sanitation Fund	Equipment Services
Net Position as of 09/30/17	\$ 104,553,256	\$ 69,475,657	\$ 58,990,078	\$ 1,771,537	\$ 10,431,518
Change in reporting for total OPEB liability	(369,786)	(146,670)	(81,745)	(64,165)	(26,369)
Net Position as Restated 10/1/17	<u>\$ 104,183,470</u>	<u>\$ 69,328,987</u>	<u>\$ 58,908,333</u>	<u>\$ 1,707,372</u>	<u>\$ 10,405,149</u>

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Implementation of this statement did not have an impact on the financial statements.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Implementation of this statement did not have an impact on the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishments Issue*. This Statement establishes accounting and financial reporting requirements for when a government places cash and other monetary assets from existing resources (as opposed to debt proceeds) in an irrevocable trust to extinguish the debt. This statement had no effect on the financial statements.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

The GASB has issued the following statements which will be effective in future years as described below. The impact on the City's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases* is effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* is effective for periods beginning after June 15, 2018. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America applicable to local governments. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within a single fund require the approval of the City Manager. Transfers between funds must be accomplished by budget amendment approved by the City Council.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as assignments of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations in the Executive, Finance and Human Resources departments (the legal level of budgetary control) of the General Fund by \$87,191. The over-expenditure in these departments was offset by lower than anticipated spending in other departments within the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

1. Cash

At September 30, 2018, the carrying amount of the City's bank deposits was \$13,739,807 and the bank balance was \$13,793,984. The City's bank deposits at year-end were covered by federal depository insurance or by pledged collateral held by the City's agent in the City's name. As of September 30, 2018, deposits that totaled \$2,888,335 were collateralized in the City's name. Cash on hand equaled \$5,200. Restricted cash totaled \$656,125.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

2. Cash equivalents

The City participates in three investment pools. They include:

TexPool – a State of Texas sponsored state investment pool composed of U.S. government obligations, repurchase agreements, and AAA-rated money market mutual funds; and

TexSTAR (Texas Short Term Asset Reserve Program) – a local government investment pool composed primarily of U.S. Treasury securities, U.S. agency securities – both fixed and floating – and government-repurchase agreement collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the United States or its agencies or its instrumentalities; and

TexasDAILY – a local government investment pool composed of high-quality money-market instruments backed by the U.S. government or any of its agencies or instrumentalities, as well as repurchase agreements backed by these securities, and certificates of deposits.

Texpool and TexasDaily use amortized cost rather than fair value to report net position to compute share prices. TexStar uses the fair value of the position in the pools which approximates net asset value of the pool shares.

As of September 30, 2018, the City held the following balances in pooled funds:

Pool:			Weighted Average Maturity (in Days)	Credit Rating (Standard & Poor's)
TexPool	\$	8,247,345	28	AAAm
TexSTAR		1,406,976	32	AAAm
TexasDaily		15,339,360	35	AAAm
	\$	<u>24,993,681</u>		

B. Investments and Deposits

	Inputs as of 09/30/2018		Weighted Average Maturity (in Days)
	Bank Balance	Book Balance	
Certificates of Deposit	\$ 14,962,687	\$ 14,937,917	718

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

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Fair Value Measurements – The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as of September 30, 2018. The three levels of the fair value hierarchy are described as follows:

- i. Level 1 – Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.
- ii. Level 2 – Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.
- iii. Level 3 – Significant unobservable inputs for an assets, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

As of September 30, 2018, the City held the following investments:

Investment Type	Inputs as of 09/30/2018			Weighted Average Maturity (in Days)
	Level 1	Level 2	Level 3	
U.S. Agencies	\$ -	\$ 10,905,525	\$ -	342

The City's recurring fair value measurements for the Level 2 US Agencies investments of \$11M are valued using quoted prices for similar assets in active markets.

Investments weighted average maturity 559

Combined (pooled funds and investments) weighted average maturity 225

Interest rate risk – In accordance with its annually adopted investment policy, the City manages its exposure to declines in fair value by limiting the combined weighted average maturity of its portfolio to no more than 548 days, while employing a “buy and hold” strategy. For purposes of the calculation, the combined weighted average also includes pooled fund deposits, which from a city investment perspective have a weighted average maturity of one day.

Credit risk – The investments reported above meet the criteria specified in the City's investment policy relative to those specific types of instruments.

- i. Obligations of the United States or its agents and instrumentalities with a maturity not to exceed five (5) years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities are pledged for payment: Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corp (FHLMC) and Federal Agricultural Mortgage Corporation

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

(FAMC). Each of the City's purchased investments was rated at least AA+ by Standard and Poor's.

- ii. Certificates of Deposit issued by a depository institution with a main office or branch in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), or secured by obligations or unconditional guarantees of the United States or its agencies and instrumentalities, the State of Texas or its agencies, or obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality by a nationally recognized investment firm not less than "A" or its equivalent.

Concentration of credit risk – It is the policy of the City to avoid a concentration of assets in a specific maturity, a specific issue or a specific class of securities. The applicable limits on the City's current investment are: U.S. Treasuries and Cash (100%), U.S. Agencies (60%), Certificates of Deposit (30%) and Local Government Investment Pools (50%). The actual percentages of these deposits and investments at September 30, 2018 are 21%, 17%, 23% and 39%, respectively.

Custodial credit risk of investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the policy of the City to mitigate this risk by contracting with third-party banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure certificates of deposit or repurchase agreements. Settlement of all investment transactions are on a delivery versus payment basis, and all securities are held by the third party custodian in the name of the City.

C. Receivables

Receivables as of year-end for the City's individual major, non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Sanitation	Stormwater	Internal Service	Total
Receivables:						
Ad Valorem tax	\$ 198,496	\$ -	\$ -	\$ -	\$ -	\$ 198,496
Sales Tax	839,853	-	-	-	-	839,853
Franchise	437,609	-	-	-	-	437,609
Customers	513,940	2,350,681	421,833	66,011	-	3,352,465
Interest	91,621	6,710	3,476	-	4,296	106,103
Other	126,942	-	-	-	4,776	131,718
Gross Receivables	2,208,461	2,357,391	425,309	66,011	9,072	5,066,244
Less: Allowance for Uncollectibles	(218,971)	(53,000)	(12,500)	-	-	(284,471)
Net Total Receivables	\$ 1,989,490	\$ 2,304,391	\$ 412,809	\$ 66,011	\$ 9,072	\$ 4,781,773

Ad Valorem (Property) tax attaches as an enforceable lien on property as of January 1. The tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

certified by the Dallas County Appraisal District. The assessed value of real and personal property on the tax roll as of January 1, 2017 was \$11,410,026,181. The taxable value (assessed value less exemptions) upon which the fiscal 2018 levy based was \$7,578,861,993.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The City Charter does not provide for a debt limit. The tax rate for the year ended September 30, 2018 was \$0.248761 per \$100, all of which was allocated to the general government.

Taxes are due October 1, the levy date. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2018 were 100% of the tax levy.

Property taxes levied for fiscal year 2018 have been recorded as receivables, net of estimated uncollectible amounts. The net receivables collected during 2018 and those considered "available" at September 30, 2018 (i.e., property taxes collected within 60 days of year-end) have been recognized as revenues in 2018. The remaining receivables have been reflected as unavailable revenue in the fund statements.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district at 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, request annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City sets the tax rate on City property.

Sales and use tax is authorized under state law with the City's levy equal to one percent of taxable sales and uses. The Texas Comptroller of Public Accounts collects all sales and use taxes on behalf of the City, remitting all taxes collected less a 2% service fee to the City on a monthly basis.

The State of Texas utilizes origin based sourcing for municipal sales and use tax. Under this approach, sales and use tax is sourced to the taxing jurisdiction in which the selling business is located regardless of where in the state the purchaser resides or the product is shipped. Origin sourcing can produce large individual sales and use tax payers to specific jurisdictions. Additionally, sales and use tax can fluctuate not only due to general economic factors but also due to relocations of businesses between taxing jurisdictions. The identity of and the amount paid by individual sales and use tax payers is strictly confidential under state law.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

D. Prepaid expenses

In 1997, the City exchanged land with an original value of \$20,000 for a reduction in landfill tipping fees for the next 28 years with the City of Garland. The present value of the tipping fees is reflected in the financial statements as a prepaid expense and unearned revenue in the Sanitation Fund.

In 2018, the City entered into various agreements to purchase services and assets which are to be delivered during 2019. The City has entered into an agreement to install four fixed license plate readers, and the value of \$10,970 is reflected in the Equipment Service Fund.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

E. Capital assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Retirement / Sale	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 10,298,366	\$ -	\$ -	\$ -	\$ 10,298,366
Construction in progress	1,889,898	5,613,757	(55,967)	(2,342,384)	5,105,304
Capital assets, being depreciated:					
Buildings	17,498,780	-	-	-	17,498,780
Improvements	45,310,368	-	-	1,486,239	46,796,607
Equipment	17,612,445	589,564	(543,131)	856,145	18,515,023
Infrastructure	12,870,590	-	-	-	12,870,590
Total capital assets	<u>105,480,447</u>	<u>6,203,321</u>	<u>(599,098)</u>	<u>-</u>	<u>111,084,670</u>
Less accumulated depreciation for:					
Buildings	(5,196,741)	(433,114)	-	-	(5,629,855)
Improvements	(13,025,904)	(1,742,845)	-	-	(14,768,749)
Equipment	(9,138,144)	(1,345,517)	491,834	-	(9,991,827)
Infrastructure	(4,544,265)	(321,784)	-	-	(4,866,049)
Total accumulated depreciation	<u>(31,905,054)</u>	<u>(3,843,260)</u>	<u>491,834</u>	<u>-</u>	<u>(35,256,480)</u>
Governmental activities capital assets, net	<u>\$ 73,575,393</u>	<u>\$ 2,360,061</u>	<u>\$ (107,264)</u>	<u>\$ -</u>	<u>\$ 75,828,190</u>
	Beginning Balance	Additions	Retirement / Sale	Transfers	Ending Balance
Business type activities:					
Capital assets, not being depreciated:					
Land	\$ 108,758	\$ -	\$ -	\$ -	\$ 108,758
Construction in progress	2,293,580	1,561,553	(164)	(1,168,152)	2,686,817
Capital assets, being depreciated:					
Buildings	54,594	-	-	-	54,594
Improvements	90,824,600	16,704	-	1,168,152	92,009,456
Equipment	373,567	-	-	-	373,567
Total capital assets	<u>93,655,099</u>	<u>1,578,257</u>	<u>(164)</u>	<u>-</u>	<u>95,233,192</u>
Less accumulated depreciation for:					
Buildings	(54,594)	-	-	-	(54,594)
Improvements	(40,627,247)	(2,038,755)	-	-	(42,666,002)
Equipment	(198,530)	(12,102)	-	-	(210,632)
Total accumulated depreciation	<u>(40,880,371)</u>	<u>(2,050,857)</u>	<u>-</u>	<u>-</u>	<u>(42,931,228)</u>
Business type activities capital assets, net	<u>\$ 52,774,728</u>	<u>\$ (472,600)</u>	<u>\$ (164)</u>	<u>\$ -</u>	<u>\$ 52,301,964</u>

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Depreciation expense was charged to the functional areas of the primary government as follows:

Governmental activities:

General Government	\$	1,964,293
Public Safety		573,297
Public Works		300,620
Parks		620,118
Streets		384,932

Total depreciation expense – Governmental activities	\$	3,843,260
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Business type activities:

Water and Sewer	\$	2,044,088
Sanitation		6,769

Total depreciation expense – Business type activities	\$	2,050,857
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The government has active construction projects as of September 30, 2018. The projects include drainage and sewerage improvements, utility improvements, park improvements and renovations as well as on-going “Mile-per-Year” (MPY) projects.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Construction in progress at September 30, 2018 is as follows:

	Balance at 9/30/2017	Expended in FY2018	Transferred or expensed	Balance at 09/30/2018
Governmental Projects				
Pool Building Upgrades	\$ 133,180	\$ 2,509,761	\$ -	\$ 2,642,941
Tollway Wall Landscape - N. of Lovers Lane	5,386	117,313	-	122,699
Radio System Comprehensive Replacement	-	42,237	-	42,237
McFarlin Bridge	-	1,332	1,332	-
Code Enforcement Migration to Energov	45,847	25,237	71,084	-
Goar Park Restroom Structure	8,196	-	8,196	-
Asphalt Overlay Program 2016	888,792	19,834	908,626	-
Sidewalk Replacement	-	51,768	51,768	-
Online Applicant Tracking System	57,485	-	57,485	-
Integrated Library Catalog System	34,694	35,038	69,732	-
Cartegraph Upgrade	23,452	50,696	-	74,148
Alarm Monitoring System Replacement	26,396	36,674	63,070	-
City Gateway Entrance Program	5,000	186,706	191,706	-
Mockingbird Lane Wall Landscape	130,848	4,050	-	134,898
Humann Park Landscape Improvements	26,432	39,180	-	65,612
LED Lighting Upgrades	19,039	-	-	19,039
NextGen 911	421,158	-	421,158	-
Audio/Visual System Upgrade - City Hall	-	125,626	125,626	-
Fountain Replacements (pond)	-	35,000	-	35,000
John Roach Track Construction	63,993	270,146	334,139	-
John Roach Track Exercise Equipment	-	47,990	47,990	-
Bench/Table Replacements	-	46,439	46,439	-
Asphalt Overlay 2018	-	1,818,795	-	1,818,795
Traffic Signal Replacement	-	67,335	-	67,335
Sidewalk Replacement	-	82,600	-	82,600
Total	\$ 1,889,898	\$ 5,613,757	\$ 2,398,351	\$ 5,105,304
Business type Projects				
MPY 44-4500 Stanhope/Shenandoah	\$ -	\$ 164	\$ 164	\$ -
Water Meter Replacement	2,236,060	146,507	-	2,382,567
MPY 4200-4500 Normandy/San Carlos	-	304,250	-	304,250
NW Highway Elevated Tank	57,520	1,110,632	1,168,152	-
Total	\$ 2,293,580	\$ 1,561,553	\$ 1,168,316	\$ 2,686,817
Grand Total	\$ 4,183,478	\$ 7,175,310	\$ 3,566,667	\$ 7,792,121

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

F. Interfund receivables, payables and transfers

Individual interfund receivable and payable balances at September 30, 2018 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Water and Sewer	01 General	\$ 1,741,739
Sanitation	01 General	229,730
Stormwater	01 General	110,671
	42 Capital projects - enterprise	367,353
UP Civic Foundation	01 General	150
Capital Projects - Enterprise	01 General	12,598
Capital Projects - Gen Govt	01 General	5,237,713
	42 Capital projects - enterprise	12,212
	45 Self-Insurance	1,966,704
Self-Insurance	01 General	6,056,114
	02 Water and Sewer	28,797
	04 Sanitation	33,788
	47 Equipment Services	14,814
Equip Service	01 General	525,286
	02 Water and Sewer	86,332
	04 Sanitation	111,085
Court Security	01 General	104,363
Court Technology	01 General	31,638
Police Training and Education	01 General	28,964
Fire Training and Education	01 General	4,918
Library	01 General	1,157
Parks Projects and Programs	01 General	6,583
Total		<u>\$ 16,712,709</u>

All interfund balances at year-end result from the recording of cash in the General Fund, and the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances noted above may be settled, offset or reduced in the coming year through cash or other investment asset transfers.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Government interfund transfers during the year ended September 30, 2018 were as follows:

Transfer From	Transfer To			
	Capital Projects	Equipment Service	Water and Sewer	Total
General Fund	\$ 5,594,617	\$ 443,900	\$ 407,988	\$ 6,446,505
Special Revenue	-	23,961	-	23,961

Interfund transfers are reported in the governmental and proprietary funds financial statements. In the government-wide statements, interfund transfers are eliminated within the governmental and business type activities columns as appropriate.

Interfund transfers are used to move unrestricted revenues collected in the General Fund to finance various capital projects in accordance with budgetary authorizations. Authorized transfers are also made to fund the identifiable governmental-type costs of capital projects within the Water and Sewer fund.

The City did not transfer any funding to any of the special revenue funds during fiscal year 2018.

G. Long-term liabilities

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 2,201,711	\$ 255,651	\$ (86,266)	\$ 2,371,096	\$ 1,009,641
Business type activities					
Compensated absences	\$ 568,092	\$ 29,915	\$ (2,678)	\$ 595,329	\$ 241,857

H. Component Unit

As stated in Note I.A., SWHEA has a December 31 year-end. As of September 30, 2018, the City's General Fund had a \$55,000 Due to balance to SWHEA. The Statement of Net Assets and Statement of Activities for this component unit are presented on the face of the government-wide financial statement.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

IV. OTHER INFORMATION

A. Risk management and self-insurance

The City maintains a comprehensive self-insurance plan. The self-insurance plan encompasses workers' compensation benefits, fire, law enforcement, auto fleet, computer hardware and software, other property, public officials' liability and general liability coverage.

The Texas Municipal League Inter-Governmental Risk Pool, a public entity risk pool operating as a common risk management and insurance program, coinsures with the City for individual claim retention levels and corresponding policy limits.

The limits and corresponding deductibles are as follows:

	Limit	Deductible
General Liability	\$ 5,000,000	\$ 25,000
Law Enforcement Liability	5,000,000	25,000
Error and Omissions	10,000,000	50,000
Automobile Medical Payments	25,000	100,000
Automobile Liability	5,000,000	100,000
Automobile Physical Damage	Actual Cash Value	10,000
Automobile Catastrophe	6,600,000	10,000
Real and Personal Property	73,147,166	25,000
Boiler and Machinery	36,000,000	25,000
Mobile Equipment	1,172,841	500
Public Employee Dishonesty	4,000,000	25,000
Forgery and Alteration	50,000	500
Theft, Disappearance and Destruction	50,000	0
Computer Fraud	100,000	1,000

All claims and maximums are calculated for a plan year ending each September 30. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In January 2000, the City expanded its self-insurance program to include employee health coverage. The program is configured to offer Preferred Provider Organization (PPO) coverages and Health Savings Accounts (HSA) using an outside provider network. A third-party insurance company provides claims administration and coinsures with the City for individual claim retention levels, with policy limits set at \$93,500 per occurrence and an aggregate stop loss of \$2,610,189 per year.

Premium payments are treated as operating revenues of the Comprehensive Self-Insurance Internal Service Fund and operating expenditures/expenses of the participating funds.

Included in accrued liabilities are the provisions for claims reported and claims incurred but not reported (IBNR) (collectively, unpaid claims liability). The provision for claims reported is determined by estimating the amount that will ultimately be paid to each claimant. The provision for claims incurred but not reported is estimated based on City experience since the inception of the program.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Unpaid claims liability of \$323,871 is included in the accrued liabilities of the Comprehensive Self-Insurance Internal Service Fund.

Changes in the balances of unpaid claims liabilities during 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning of year	\$ 292,265	\$ 281,603
Current year claims (including IBNR) and change in estimate	2,914,993	2,650,841
Claim Payments	<u>(2,883,387)</u>	<u>(2,640,179)</u>
Unpaid claims, end of year	<u>\$ 323,871</u>	<u>\$ 292,265</u>

B. Commitments and contingencies

1. Water and sewer contracts

The City's water supply is derived from the Dallas County/Park Cities Municipal Utility District ("the MUD") under a twenty-year contract dated March 2, 2004, at an agreed upon rate that is adjusted annually. The original contract was amended in 2010 to a term of 22 years, commencing March 2, 2010 and expiring March 2, 2032. The 2018 rate for treated water was \$2.4566 per 1,000 gallons. The MUD was originally created to serve (and continues to serve) only the cities of University Park and Highland Park. It has its own treatment and storage facilities and obtains its water from Lake Grapevine, in which it has rights to the first 50,000 acre-feet of stored water. During fiscal year 2018, the cost of water purchased under this contract was approximately \$5,196,747.

On November 5, 1973, the City entered into the initial twenty-year contract for sewage disposal with the City of Dallas. This contract was extended for a term of 30 years on February 22, 1984. As of February 22, 2014, the City received another thirty-year extension on the contract to February 21, 2044. Under the terms of the contract, Dallas is paid a monthly fee determined by an annual Cost-of-Service Study. During fiscal 2018, the cost of sewage disposal under this contract was approximately \$3,181,922 at a rate of \$2.7451 per 1,000 gallons.

2. Commitments

The City has contractual commitments of \$248,846 in the General Fund, \$11,215,595 in the Capital Projects Fund, and \$267,200 in other non-major governmental funds. These commitments are for various purchases and construction projects and will be funded by various general governmental incomes.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

3. Contingencies

The City is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of City officials, will have a material effect on the City's financial position.

C. Deferred compensation plan

The City offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The employees have a choice of participating in the Nationwide Retirement Solutions (formerly the Public Employees Benefit Services Corporation, or PEBSCO) plan and/or the International City Management Association Retirement Corporation (ICMA-RC) plan. All amounts of compensation under these plans are placed into investment pools administered by Nationwide and ICMA-RC, respectively. The plans, available to all regular employees, permit deferral of up to \$18,500 of compensation (\$24,500 for those over 50) in 2018. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under these plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries. As a result, the deferred compensation investments are not included in the City's financial statements.

D. Retirement plans

1. Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.TMRS.com.

All eligible employees of the City are required to participate in TMRS (except for the City's fire personnel covered under the FRRF plan, below).

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year 2017
Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, any/20
Updated service credit	100%
Annuity increase (to retirees)	0% of CPI

On the actuarial valuation measurement date of December 31, 2017, the following employees/beneficiaries were covered by the benefit terms:

Membership

Number of:

Retirees or beneficiaries currently receiving benefits	153
Terminated employees entitled to but not yet receiving benefits	47
Active employees	207
Total	407

Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amounts necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City employees are required to contribute 7% of their annual gross earnings each fiscal year. The contribution rates for the City of University Park were 7.23% and 7.51% in calendar years 2017 and 2018, respectively. The City's contribution to TMRS for the year ended September 30, 2018, was \$1,175,525, and was equal to the required contributions.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

allocation portfolios, TMRS's actuary, Gabriel Roeder Smith & Company (GRS), focused on the area between (1) the arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on the assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)- (b)
Balance at 12/31/2016	\$ 89,782,850	\$ 85,970,573	\$ 3,812,277
Changes for the year:			
Service cost	1,991,805	-	1,991,805
Interest	5,956,942	-	5,956,942
Change of benefit terms	-	-	-
Difference between expected and actual experience	(24,424)	-	(24,424)
Changes of assumptions	-	-	-
Contributions - employer	-	1,100,132	(1,100,132)
Contributions - employee	-	1,065,136	(1,065,136)
Net Investment income	-	11,911,941	(11,911,941)
Benefit payments, including refunds of employee contributions	(5,055,510)	(5,055,510)	-
Administrative expense	-	(61,750)	61,750
Other changes	-	(3,129)	3,129
Net changes	<u>2,868,813</u>	<u>8,956,820</u>	<u>(6,088,007)</u>
Balance at 12/31/2017	<u>\$ 92,651,663</u>	<u>\$ 94,927,393</u>	<u>\$ (2,275,730)</u>

Sensitivity of Discount Rate

The following presents the net pension liability/(asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 8,471,440	\$ (2,275,730)	\$ (11,328,067)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.TMRS.com.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$1,179,485.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FY18	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 196,135	\$ (117,315)
Changes in actuarial assumptions	795,257	-
Net difference between projected and actual earnings on pension plan investments	-	(2,337,327)
Employer's contributions to the pension plan subsequent to the measurement date	916,099	-
Total	<u>\$ 1,907,491</u>	<u>\$ (2,454,642)</u>

\$916,099 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2018	\$ 599,028
2019	344,622
2020	(1,181,837)
2021	(1,225,063)
2022	-
Thereafter	-
Total	<u>\$ (1,463,250)</u>

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

2. Firemen's Relief and Retirement Fund (FRRF)

Plan Description

The Board of Trustees is the administrator of the University Park Firemen's Relief and Retirement Fund ("the Fund"), a single-employer defined benefit pension plan. The City of University Park, Texas is the only contributing employer. Firefighters, who joined the City prior to October 01, 2017, in the University Park Fire Department are covered by the FRRF and also contribute to the FRRF. The FRRF is not a part of the City's reporting entity because the City does not have fiduciary responsibility of the FRRF assets, is not able to impose its will on the FRRF, nor is the FRRF fiscally dependent on the City, since the Board of Trustees has the ability to complete essential fiscal events without approval by the City, and the Board is not appointed by the City.

The plan covers current and former fire fighters of the City of University Park, Texas as well as certain beneficiaries of former firefighters. The plan was closed to new entrants as of November 1, 2017. The types of employees covered, as well as the plan membership as of December 31, 2017 (the most recent actuarial valuation) are as follows:

Number of:	12/31/2017
Retirees and beneficiaries currently receiving benefits	47
Terminated employees entitled to, but not yet receiving benefit	0
Active members	30
Total	77

Benefits

The FRRF provides service retirement, early retirement, disability, death and termination benefits. These benefits fully vest after 20 years of credited service with a partially vested benefit with 19 years of service. Employees may retire at age 50 with 20 years of service. The Plan effective January 1, 2002 provides for a monthly service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit equals 60% of the Highest 60-Month Average Salary plus \$80.00 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least age 53 with 23 years of service at the selected RETRO DROP benefit calculation date (which is prior to the date of employment termination).

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Firefighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Contributions

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter.

While the contributions made are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the Plan's normal cost contribution rate is determined as a percentage of payroll.

The excess of the total contribution rate over the normal cost rate is used to amortize the Plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The costs of administering the plan are paid from the Fund.

The funding policy of the FRRF required contributions of 10.00% of pay by the members through September 2009. For the period from October 2009 through September 2010, member contributed 12.00% of total pay. For the period from October 2010 through September 2011, member contributed 14.00% of total pay. For the period from October 2011 through September 2012, member were scheduled to contribute 15.00% of total pay; however the 2011 increase was extended by one year, by vote of the membership. For the period from October 2013 to September 2014, members were scheduled to contribute 15.00% of total pay.

In accordance with current TLFFRA statutes, the City is required to make contributions to the FRRF at the same rate paid by the firefighters, or 12.00%, whichever is less. The City has traditionally contributed to the FRRF at the same rate it contributed to TMRS, which has always resulted in a rate in excess of statutory requirements. On July 1, 2008, the City FRRF contribution rate was set at 15.54% of payroll; to compensate the FRRF for the loss of contributions related to incoming fire department personnel who opted to join the TMRS Plan in accordance with TLFFRA provisions. The City continued to contribute 15.54% of total pay through September 2014.

From October 2014 to September 2016, the FRRF Board accepted the City's proposal to shift 2.00% of the contribution from the firefighters' contribution to the City contribution. This action decreased the firefighters' contribution from 15.00% to 13.00%, and increased the City's contribution from 15.54% to 17.54% for a year.

The Plan was amended as of September 27, 2017, the result of which was the Plan was closed to new entrants as of November 1, 2017 and participating employees' contributions were capped at 10.00% of pay. On October 1, 2017, the City began contributing at a rate of 20.54% of total pay and the participating employees began contributing at a rate of 10.00%.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Starting October 1, 2018, the City contribution rate should increase to 28.72% of pay, in accordance with the terms of the Plan which calls for the City to contribute at a rate necessary in order to produce at least a 30-year amortization period. The employee contribution rate will remain unchanged at 10.00%.

The City's contribution to the FRRF for the year ended September 30, 2018, was \$650,290, and was equal to the required contributions.

General Actuarial Assumptions:

Valuation date	12/31/2017
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	The plan was unable to amortize its UAAL as of 12/31/2016 based on the 2017 City and Member contribution rates.
Asset valuation method	5-year smoothed market value with a 20% market value corridor
Inflation	2.50%
Investment rate of return	7.50%
Salary increase rate	4.0% to 11.28%, including inflation based on service at attained age (fund specific)
Retirement Age	Experienced-based table of rates that are specific to the University Park Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females
Other information	The plan was closed to new entrants effective October 1, 2017

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the FRRF Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of FRRF.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Cash & short-term fixed income	0.00%	3.00%
Fixed income		
Investment grade bonds	11.01%	5.75%
International fixed income	2.19%	7.75%
High yield bonds	2.93%	3.75%
Short duration high yield bonds	2.93%	3.75%
Global strategic diversification	3.65%	7.75%
Income opportunity fund	7.29%	7.75%
Equities		
All cap growth equity	15.20%	7.50%
Emerging market equities	7.27%	9.25%
Global equity	16.65%	7.75%
Large cap value equity	11.78%	7.50%
Smid cap plus	4.73%	7.75%
Smid cap value equity	1.18%	7.75%
Small cap value equity	4.72%	7.75%
REITs	3.58%	7.00%
Master limited partnership	4.89%	7.50%
Total	<u>100.00%</u>	

Discount Rate

Decrements are assumed to be annual rates, rather than probabilities, and are adjusted for the interaction between competing decrements. The 7.50% rate of return was set by examining the fund's rate of return history and by taking into account future expected rates of return for portfolios with similar asset allocations. The assumed 7.50% rate can be considered to include a provision for inflation at 2.50% per year, although other combinations of real return, risk premium and inflation are also accounted for by an 7.50% assumed rate. The rate of return is net of trust expenses. The same inflation component was used in the assumed rate of return on the actuarial value of assets, the assumed increases in compensation for individual members and the other actuarial assumptions.

The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2016	\$ 23,083,392	\$ 9,448,371	\$ 13,635,021
Changes for the year:			
Service cost	603,941	-	603,941
Interest	1,706,004	-	1,706,004
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	577,935	(577,935)
Contributions - employee	-	383,092	(383,092)
Net Investment income	-	1,183,554	(1,183,554)
Benefit payments, including refunds of employee contributions	(1,881,221)	(1,881,221)	-
Administrative expense	-	(24,789)	24,789
Other changes	-	-	-
Net changes	<u>428,724</u>	<u>238,571</u>	<u>190,153</u>
Balance at 12/31/2017	<u>\$ 23,512,116</u>	<u>\$ 9,686,942</u>	<u>\$ 13,825,174</u>

Sensitivity of Discount Rate

The following table presents the sensitivity of the Net Pension Liability to changes in the discount rate when calculating it at 1-percentage-point-lower (6.50%) and 1-percentage-point-higher (8.50%).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
\$ 16,541,522	\$ 13,825,174	\$ 11,570,276

The Net Pension Liability and the Total Pension Liability were calculated by John M. Crider, Jr. The value given were based upon a valuation performed as of December 31, 2016. As permitted by Paragraphs 22 and 60 of GASB Statement No.68, procedures were used to roll forward the Total Pension Liability (TPL) to December 31, 2017.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$655,912.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ (1,584,163)
Changes in actuarial assumptions	1,729,789	-
Difference between projected and actual investment earnings	84,647	-
Contributions subsequent to the measurement date	<u>500,298</u>	<u>-</u>
Total	<u><u>\$ 2,314,734</u></u>	<u><u>\$ (1,584,163)</u></u>

\$500,298 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 203,613
2019	150,730
2020	(50,490)
2021	(63,026)
2022	39,045
Thereafter	<u>(49,599)</u>
Total	<u><u>\$ 230,273</u></u>

Separate audited financial statements are available, and can be obtained by contacting the City of University Park Fire Department at 3800 University Blvd., University Park, Texas 75205.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

E. Other Postemployment Benefits

Plan Description

The City of University Park offers certain health care benefits to retired employees through a single-employer defined benefit plan ("the Retiree Health Plan", "the Plan" or "OPEB"). Permanent full-time employees of the City of University Park are eligible to participate in the Plan upon retirement. They may remain members of the Plan until they reach the age of 65 or otherwise become eligible for Medicare benefits. Members must pay 100% of the retiree health care premium. Members become eligible to participate in the Plan upon normal service retirement, or if they meet the Disability Retirement provisions of TMRS or FRRF, whichever applies, and draw disability retirement benefits from TMRS or FRRF, whichever applies. Members terminating their employment before normal service retirement conditions are not eligible for retiree health care. The City of University Park does not provide subsidized retiree vision or dental coverage. The Plan does not issue separate financial statements. All payments received or made on behalf of the Plan are done so through the Comprehensive Self-Insurance Fund. As of September 30, 2018, there are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

Current retirees contribute to the Plan an amount approximating the blended premium for active and retired participants. This amount is determined annually by an Employee Benefits Committee, under the direction of the City Council. Retiree contribution rates for fiscal 2018 range from \$10,020 to \$17,398 per year, depending on coverage levels.

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

	Measurement date
Number of:	12/31/2017
Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	234
Total	240

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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Total OPEB Liability

The City's Total OPEB Liability was determined by an actuarial valuation performed on December 31, 2016 and included updated procedures that rolled forward the Total OPEB Liability to the measurement date of December 31, 2017.

Total OPEB liability

Service cost	\$ 37,523
Interest on the total OPEB liability	34,925
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	27,271
Changes of assumptions	38,741
Benefit payments	<u>(80,529)</u>
Net change in total OPEB liability	57,931
Total OPEB liability - beginning	938,168
Total OPEB liability - ending	<u><u>\$ 996,099</u></u>

Covered-employee payroll	18,552,150
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Total OPEB liability as a percentage of covered-employee payroll	5.37%
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CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Actuarial assumptions

The actuarial assumptions used to value the liabilities are the same as those used in the valuation report as of December 31, 2016, which include the following:

	12/31/2016
Valuation date	
Actuarial cost method	Individual Entry age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary increase rate	3.50% to 10.50%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health care trend rates	Initial rate of 7.30% declining to an ultimate rate of 4.25% after 14 years.
Participation rates	7% of TMRS retirees and 15% of Firefighter retirees are assumed to elect health care benefits through the City.
Other information	The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017. Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2017.

Sensitivity of Total OPEB Liability to the Discount Rate and Healthcare Cost Trend Assumptions

The following table presents the sensitivity of the Total OPEB Liability to changes in discount rate when calculating it at 1-percentage-point-lower (2.31%) and 1-percentage-point-higher (4.31%).

	1% Decrease 2.31%	Current Discount Rate Assumption 3.31%	1% Increase 4.31%
\$	1,077,841	\$ 996,099	\$ 920,011

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

The following table presents the sensitivity of the Total OPEB Liability to changes in healthcare cost trend rate when calculating it at 1-percentage-point-lower and 1-percentage-point-higher.

1% Decrease		Current Healthcare Cost Trend Rate Assumption		1% Increase	
\$	894,529	\$	996,099	\$	1,115,235

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$79,611.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	FY18	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,312	\$ -
Changes in actuarial assumptions	34,537	
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer's contributions to the OPEB plan subsequent to the measurement date	64,371	-
Total	<u>\$ 123,220</u>	<u>\$ -</u>

\$64,371 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2018

Year ending September 30	Net Deferred Outflows/(Inflows) of Resources
2019	\$ 7,163
2020	7,163
2021	7,163
2022	7,163
2023	7,163
Thereafter	<u>23,034</u>
Total	<u><u>\$ 58,849</u></u>

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liability of benefits.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Last 10 years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 1,721,395	\$ 1,850,469	\$ 2,038,054	\$ 1,991,805
Interest (on the Total Pension Liability)	5,398,451	5,596,121	5,747,031	5,956,942
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(544,994)	(6,999)	345,855	(24,424)
Changes of assumptions	-	2,198,651	-	-
Benefit payments, including refunds of employee contributions	(3,500,753)	(4,130,311)	(4,940,533)	(5,055,510)
Net change in total pension liability	3,074,099	5,507,931	3,190,407	2,868,813
Total pension liability -- beginning	78,010,413	81,084,512	86,592,443	89,782,850
Total pension liability -- ending	<u>\$ 81,084,512</u>	<u>\$ 86,592,443</u>	<u>\$ 89,782,850</u>	<u>\$ 92,651,663</u>
Plan fiduciary net position				
Contributions -- employer	\$ 1,209,153	\$ 932,731	\$ 863,712	\$ 1,100,132
Contributions -- employee	1,037,372	1,054,827	1,089,289	1,065,136
Net investment income	4,696,136	126,138	5,634,758	11,911,941
Benefit payments, including refund of employee contributions	(3,500,753)	(4,130,311)	(4,940,533)	(5,055,510)
Administrative expense	(49,034)	(76,833)	(63,648)	(61,750)
Other	(4,031)	(3,795)	(3,429)	(3,129)
Net change in plan fiduciary net position	3,388,843	(2,097,243)	2,580,149	8,956,820
Plan fiduciary net position -- beginning	82,098,824	85,487,667	83,390,424	85,970,573
Plan fiduciary net position -- ending	<u>\$ 85,487,667</u>	<u>\$ 83,390,424</u>	<u>\$ 85,970,573</u>	<u>\$ 94,927,393</u>
Net pension liability (asset)	<u>\$ (4,403,155)</u>	<u>\$ 3,202,019</u>	<u>\$ 3,812,277</u>	<u>\$ (2,275,730)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.43%	96.30%	95.75%	102.46%
Covered payroll	\$ 14,819,603	\$ 15,068,964	\$ 15,545,794	\$ 15,216,231
Net pension liability as a percentage of covered payroll	(29.71%)	21.25%	24.52%	(14.96%)

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years. The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Schedule of Contributions Last 10 years

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
Actuarially Determined Contribution	\$ 1,010,160	\$ 904,082	\$ 1,051,243	\$ 1,175,525
Contributions in relation to the actuarially determined contribution	<u>1,010,160</u>	<u>904,082</u>	<u>1,051,243</u>	<u>1,175,525</u>
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	<u>15,035,197</u>	<u>15,820,627</u>	<u>15,421,480</u>	<u>15,786,581</u>
Contributions as a percentage of covered-employee payroll	<u>6.72%</u>	<u>5.71%</u>	<u>6.81%</u>	<u>7.44%</u>

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years.

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year Smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

There were no benefit changes during the year.

Note: The City adopted GASB 68 for FY15.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 years

	2014	2015	2016	2017
Total pension liability				
Service cost (Pension benefit)	\$ 500,790	\$ 524,967	\$ 586,350	\$ 603,941
Service cost (Administrative expenses)	41,323	38,831	-	-
Interest (on the Total Pension Liability)	1,595,786	1,645,714	1,725,426	1,706,004
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(1,524,554)	(717,747)	-
Changes of assumptions	-	1,275,048	1,152,809	-
Benefit payments, including refunds of member contributions	(1,431,822)	(1,181,483)	(1,289,836)	(1,881,221)
Net change in total pension liability	706,077	778,523	1,457,002	428,724
Total pension liability -- beginning	20,141,790	20,847,867	21,626,390	23,083,392
Total pension liability -- ending	<u>\$ 20,847,867</u>	<u>\$ 21,626,390</u>	<u>\$ 23,083,392</u>	<u>\$ 23,512,116</u>
Plan fiduciary net position				
Contributions -- employer	\$ 526,289	\$ 588,724	\$ 594,960	\$ 577,935
Contributions -- employee	477,809	436,340	440,963	383,092
Net investment income	479,579	(252,668)	651,872	1,183,554
Benefit payments, including refund of employee contributions	(1,431,822)	(1,181,483)	(1,289,836)	(1,881,221)
Administrative expense	(41,323)	(38,831)	(17,131)	(24,789)
Other	-	-	-	-
Net change in plan fiduciary net position	10,532	(447,918)	380,828	238,571
Plan fiduciary net position -- beginning	9,504,929	9,515,461	9,067,543	9,448,371
Plan fiduciary net position -- ending	<u>\$ 9,515,461</u>	<u>\$ 9,067,543</u>	<u>\$ 9,448,371</u>	<u>\$ 9,686,942</u>
Net pension liability	<u>\$ 11,332,406</u>	<u>\$ 12,558,847</u>	<u>\$ 13,635,021</u>	<u>\$ 13,825,174</u>
Plan fiduciary net position as a percentage of the total pension liability	45.64%	41.93%	40.93%	41.20%
Covered payroll	\$ 3,281,103	\$ 3,356,465	\$ 3,392,018	\$ 3,159,841
Net pension liability as a percentage of covered payroll	345.38%	374.17%	401.97%	437.53%

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years. The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Schedule of Contributions Last 10 years

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
Actuarially Determined Contribution	\$ 577,601	\$ 615,505	\$ 571,700	\$ 650,290
Contributions in relation to the actuarially determined contribution	<u>577,601</u>	<u>615,505</u>	<u>571,700</u>	<u>650,290</u>
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	3,306,586	3,509,148	3,259,409	3,165,970
Contributions as a percentage of covered-employee payroll	<u>17.47%</u>	<u>17.54%</u>	<u>17.54%</u>	<u>20.54%</u>

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period as of December 31, 2016	The plan was unable to amortize its UAAL as of 12/31/2016 based on the 2017 City and member contribution rates.
Asset valuation method	5-year smoothed market value with a 20% market value corridor
Inflation	2.5% per year
Investment rate of return	7.50%
Projected salary increases	4.0% to 11.28%, including inflation based on service at attained age
Cost-of-living adjustments	None
Retirement Age for vested terminated members	Experienced-based table of rates that are specific to the University Park Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females

Other Information:

Notes The plan was closed to new entrants effective October 1, 2017

Note: The City adopted GASB 68 for FY15.

CITY OF UNIVERSITY PARK, TEXAS

Retiree Health Care Plan

Schedule of Changes in Total OPEB Liability and Related Ratios Last 10 Calendar Years

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 37,523
Interest on the total OPEB liability	34,925
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	27,271
Changes of assumptions	38,741
Benefit payments	<u>(80,529)</u>
Net change in total OPEB liability	57,931
Total OPEB liability - beginning	<u>938,168</u>
Total OPEB liability - ending	<u><u>\$ 996,099</u></u>
 Covered-employee payroll	 18,552,150
 Total OPEB liability as a percentage of covered-employee payroll	 5.37%

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate in each period. The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017

Note: The City adopted GASB 75 for FY18, and will build this schedule over the next 10 years.



CITY OF UNIVERSITY PARK, TEXAS
Budgetary Comparison Schedule
General Fund

For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Budgetary fund balance, October 1	\$ 26,989,572	\$ 26,989,572	\$ 26,989,572	\$ -
Resources (inflows)				
Property tax	18,993,253	18,993,253	19,006,152	12,899
Sales tax	4,320,000	4,320,000	4,558,780	238,780
Franchise fees	2,185,000	2,185,000	1,848,515	(336,485)
Permits and licenses	1,609,500	1,609,500	3,403,512	1,794,012
Fines	847,500	847,500	792,417	(55,083)
Charges for services	1,863,500	1,863,500	1,914,328	50,828
Other	600,500	600,500	1,212,985	612,485
Investment income	300,000	300,000	617,353	317,353
	<u>57,708,825</u>	<u>57,708,825</u>	<u>60,343,614</u>	<u>2,634,789</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
Executive	1,249,307	1,321,498	1,147,611	173,887
Finance	1,131,146	1,131,146	965,414	165,732
Human Resources	394,710	394,710	413,139	(18,429)
Information Services	1,247,116	1,255,286	1,175,781	79,505
Library	801,197	809,329	766,747	42,582
Court	420,150	420,215	411,648	8,567
Community Development	1,179,059	1,214,835	1,056,210	158,625
Engineering	722,157	682,042	507,662	174,380
Traffic	1,012,900	1,013,364	973,323	40,041
Facility Maintenance	656,792	643,302	399,753	243,549
Fire	5,874,332	5,841,320	5,721,783	119,537
Police	7,918,906	7,943,818	7,901,140	42,678
Parks	3,055,759	3,090,278	2,996,277	94,001
Swimming Pool	440,795	530,440	473,595	56,845
Streets	1,798,982	1,764,419	1,666,834	97,585
Transfers	3,512,797	3,512,797	6,446,505	(2,933,708)
	<u>31,416,105</u>	<u>31,568,799</u>	<u>33,023,422</u>	<u>(1,454,623)</u>
Total charges to appropriations				
	<u>31,416,105</u>	<u>31,568,799</u>	<u>33,023,422</u>	<u>(1,454,623)</u>
Budgetary fund balance, September 30	<u>\$ 26,292,720</u>	<u>\$ 26,140,026</u>	<u>\$ 27,320,192</u>	<u>\$ 1,180,166</u>

See notes to required supplementary information.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Required Supplementary Information
September 30, 2018

Budgetary Information

The City uses the following process to legally adopt the General Fund annual budget as reflected in the financial statements:

1. Before September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain tax and ratepayer opinion. Public notice is given as required by State law.
3. Before October 1, the City Council legally enacts the budget through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between departments (functions); however, any amendments that increase a fund's total expenditures must be approved by the City Council after appropriate public notice and citizen participation.

Management exercises control over budgeted expenditures by sub-function (i.e., department or division), as presented in the accompanying financial statements. Unused appropriations lapse at the end of each fiscal year.

Formal budgetary integration is employed as a planning device for the General Fund. The City adopts an annual operating budget that is prepared on a modified accrual basis consistent with generally accepted accounting principles in the United State of America applicable to local government.



OTHER SUPPLEMENTARY INFORMATION



COMBINING FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditure for specified purposes.

University Park Civic Foundation – This fund is used to account for private donations and contributions to the City. Donations may be made for a specific project or specifically restricted for use in charitable, scientific, literary, educational, and public safety programs.

Court Security – This fund is used to account for the receipt and expenditure of the Municipal Court Building Security Fee that is charged to defendants in accordance with state law. Money in the fund may be used only to finance security personnel or to finance items which are used for the purpose of providing security services for buildings housing a municipal court.

Court Technology – This fund is used to account for the receipt and expenditure of the Municipal Court Technology Fee that is charged to defendants in accordance with state law. Money in the fund may be used only to finance the purchase of or to maintain technological enhancements for a municipal court.

Police Training and Education – This fund is used to account for the receipt and expenditure of monies received from various agencies specifically for police training and education purposes.

Police Forfeiture Fund – This fund is used to account for funds awarded by the court to the Police Department. The expenditure of these funds is legally restricted for use in police activities.

Fire Training and Education – This fund is used to account for the receipt and expenditure of monies received from various agencies specifically for fire personnel training and education purposes.

Library – This fund is used to account for the receipt and expenditure of monies donated from various sources for the City library.

Parks Projects and Programs – This fund is used to account for the receipt and expenditure of monies received from various City park projects and programs.

CITY OF UNIVERSITY PARK, TEXAS

Combining Balance Sheet Nonmajor Governmental Funds

September 30, 2018

	Special Revenue Funds								
	University Park Civic Foundation	Court Security	Court Technology	Police Training and Education	Police Forfeiture	Fire Training and Education	Library	Parks Projects and Programs	Total
ASSETS									
Cash and cash equivalents	\$ 81,326	\$ -	\$ -	\$ -	\$ 8,101	\$ -	\$ -	\$ -	\$ 89,427
Accounts receivables	-	-	-	-	-	-	-	-	-
Due from other funds	150	104,363	31,638	28,964	-	4,918	1,157	6,583	177,773
TOTAL ASSETS	\$ 81,476	\$ 104,363	\$ 31,638	\$ 28,964	\$ 8,101	\$ 4,918	\$ 1,157	\$ 6,583	\$ 267,200
LIABILITIES									
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES									
Restricted to:									
General Government	27,985	-	-	-	-	-	1,157	-	29,142
Public Safety	-	104,363	31,638	28,964	8,101	4,918	-	-	177,984
Parks	53,491	-	-	-	-	-	-	6,583	60,074
Total fund balances	81,476	104,363	31,638	28,964	8,101	4,918	1,157	6,583	267,200
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,476	\$ 104,363	\$ 31,638	\$ 28,964	\$ 8,101	\$ 4,918	\$ 1,157	\$ 6,583	\$ 267,200

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended September 30, 2018

	Special Revenue Funds								
	University Park			Police		Fire		Parks	
	Civic	Court	Court	Police	Police	Training and		Projects	
	Foundation	Security	Technology	Training and	Forfeiture	Education	Library	and Programs	Total
REVENUES									
Investment income	\$ 55	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ 61
Fines	-	11,010	14,680	-	-	-	-	-	25,690
Donations	38,662	-	-	2,891	-	4,963	8,761	19,890	75,167
Other	-	-	-	-	141	-	-	-	141
Total revenues	38,717	11,010	14,680	2,891	147	4,963	8,761	19,890	101,059
EXPENDITURES									
Parks	31,739	-	-	-	-	-	-	31,183	62,922
Scholarships	38,000	-	-	-	-	-	-	-	38,000
General Government	2,500	-	-	-	-	-	9,456	-	11,956
Public Safety	-	-	1,057	2,086	-	4,521	-	-	7,664
Total expenditures	72,239	-	1,057	2,086	-	4,521	9,456	31,183	120,542
Excess (deficiency) of revenues over (under) expenditures	(33,522)	11,010	13,623	805	147	442	(695)	(11,293)	(19,483)
OTHER FINANCING SOURCES									
Transfers in/(out)	-	-	(23,961)	-	-	-	-	-	(23,961)
Total other financing sources	-	-	(23,961)	-	-	-	-	-	(23,961)
Net change in fund balances	(33,522)	11,010	(10,338)	805	147	442	(695)	(11,293)	(43,444)
Fund balances - beginning	114,998	93,353	41,976	28,159	7,954	4,476	1,852	17,876	310,644
Fund balances - ending	\$ 81,476	\$ 104,363	\$ 31,638	\$ 28,964	\$ 8,101	\$ 4,918	\$ 1,157	\$ 6,583	\$ 267,200



COMBINING FINANCIAL STATEMENTS

Internal Service Funds

The Internal Service Funds account for the services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund – Accounts for the costs of materials, supplies and the acquisition and maintenance of specific equipment used exclusively by other departments of the City.

Comprehensive Self-Insurance Fund – Accounts for the costs associated with the general liability, property and casualty, medical and worker's compensation self-insurance program established by the City.

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Net Position
Internal Service Funds

September 30, 2018

	<u>Equipment Services</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,166,794	\$ 3,130,279	\$ 7,297,073
Investments	-	1,983,540	1,983,540
Receivables	-	9,072	9,072
Due from other funds	722,703	6,133,513	6,856,216
Prepaid	10,970	-	10,970
Total current assets	<u>4,900,467</u>	<u>11,256,404</u>	<u>16,156,871</u>
Non-current assets:			
Pension - TMRS	56,500	-	56,500
Capital assets			
Machinery and equipment	12,626,364	-	12,626,364
Accumulated depreciation	(6,398,172)	-	(6,398,172)
Total non-current assets	<u>6,284,692</u>	<u>-</u>	<u>6,284,692</u>
Total assets	<u>11,185,159</u>	<u>11,256,404</u>	<u>22,441,563</u>
DEFERRED OUTFLOW OF RESOURCES			
Difference in expected and actual pension/OPEB investment experience	2,470	-	2,470
Changes in pension/OPEB actuarial assumption	44,172	-	44,172
Pension/OPEB contributions after measurement date	37,623	-	37,623
Total deferred outflow of resources	<u>84,265</u>	<u>-</u>	<u>84,265</u>
LIABILITIES			
Current liabilities:			
Accounts payable	363	82,645	83,008
Accrued liabilities	10,749	323,871	334,620
Accrued compensated absences	53,303	-	53,303
Due to other funds	14,814	1,966,704	1,981,518
Total current liabilities	<u>79,229</u>	<u>2,373,220</u>	<u>2,452,449</u>
Non-current liabilities:			
Total OPEB liability	29,872	-	29,872
Accrued compensated absences	66,507	-	66,507
Total non-current liabilities	<u>96,379</u>	<u>-</u>	<u>96,379</u>
Total liabilities	<u>175,608</u>	<u>2,373,220</u>	<u>2,548,828</u>
DEFERRED INFLOW OF RESOURCES			
Difference in projected and actual pension/OPEB investment earning	55,632	-	55,632
Total deferred inflow of resources	<u>55,632</u>	<u>-</u>	<u>55,632</u>
NET POSITION			
Investment in capital assets	6,228,192	-	6,228,192
Unrestricted	4,809,992	8,883,184	13,693,176
Total net position	<u>\$11,038,184</u>	<u>\$ 8,883,184</u>	<u>\$19,921,368</u>

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds

For the Year Ended September 30, 2018

	Equipment Services	Comprehensive Self-Insurance	Total
Operating revenues			
Charges for service	\$ 1,942,881	\$ -	\$ 1,942,881
Premiums	-	4,372,826	4,372,826
	<u>1,942,881</u>	<u>4,372,826</u>	<u>6,315,707</u>
Operating expenses			
Claims paid and change in estimate	-	2,914,030	2,914,030
Personnel services	865,902	-	865,902
Administrative and fiscal services	-	879,124	879,124
Depreciation	901,602	-	901,602
Supplies and other	25,340	-	25,340
Contractual and other services	82,920	109,316	192,236
	<u>1,875,764</u>	<u>3,902,470</u>	<u>5,778,234</u>
Operating income	<u>67,117</u>	<u>470,356</u>	<u>537,473</u>
Nonoperating revenues			
Investment income	36,871	59,018	95,889
Gain on sale of capital assets	61,186	-	61,186
	<u>165,174</u>	<u>529,374</u>	<u>694,548</u>
Transfers from other funds	<u>467,861</u>	<u>-</u>	<u>467,861</u>
Change in net position	<u>633,035</u>	<u>529,374</u>	<u>1,162,409</u>
Total net position - beginning, restated, see Note I.E.	<u>10,405,149</u>	<u>8,353,810</u>	<u>18,758,959</u>
Total net position - ending	<u><u>\$ 11,038,184</u></u>	<u><u>\$ 8,883,184</u></u>	<u><u>\$ 19,921,368</u></u>

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Cash Flows
Internal Service Funds

For the Year ended September 30, 2018

	Equipment Services	Comprehensive Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,942,881	\$ 4,372,826	\$ 6,315,707
Payments from other funds	2,779,972	334,417	3,114,389
Payments to suppliers	(105,437)	(3,848,319)	(3,953,756)
Payments to employees	(837,955)	-	(837,955)
	<u>3,779,461</u>	<u>858,924</u>	<u>4,638,385</u>
Net cash provided by (used in) operating activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(511,285)	-	(511,285)
Transfers from other funds	467,861	-	467,861
Proceeds from sale of capital assets	61,185	-	61,185
	<u>17,761</u>	<u>-</u>	<u>17,761</u>
Net cash used in capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	36,871	71,924	108,795
	<u>36,871</u>	<u>71,924</u>	<u>108,795</u>
Net cash provided by investing activities			
Net increase in cash and cash equivalents	3,834,093	930,848	4,764,941
Cash and cash equivalents, beginning of year	332,701	2,199,431	2,532,132
Cash and cash equivalents, end of year	<u>\$ 4,166,794</u>	<u>\$ 3,130,279</u>	<u>\$ 7,297,073</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating income	\$ 67,117	\$ 470,356	\$ 537,473
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	901,602	-	901,602
Decrease in due from other funds	2,831,996	334,417	3,166,413
Decrease in pension/OPEB and deferred outflow	21,377	-	21,377
Increase in accrued liabilities	9,393	54,151	63,544
Decrease in due to other funds	(52,024)	-	(52,024)
	<u>3,712,344</u>	<u>388,568</u>	<u>4,100,912</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 3,779,461</u>	<u>\$ 858,924</u>	<u>\$ 4,638,385</u>
NON-CASH INVESTING ACTIVITIES			
Change in the fair value of investments	<u>\$ -</u>	<u>\$ (11,861)</u>	<u>\$ (11,861)</u>



STATISTICAL SECTION (UNAUDITED)

This part of the City of University Park's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Tables

Financial Trends

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

9-13

These schedules present information to help the reader assess the City's current levels of outstanding debt (if any) and the City's ability to issue debt in the future.

Demographic and Economic Information

14-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in fiscal 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF UNIVERSITY PARK, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 1

						RESTATED		RESTATED		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Investment in capital assets	\$ 56,768,201	\$ 59,672,952	\$ 60,538,038	\$ 62,312,988	\$ 65,190,228	\$ 66,403,103	\$ 66,443,113	\$ 68,817,286	\$ 73,575,392	\$ 75,828,190
Restricted	-	-	-	-	-	-	229,197	294,025	310,644	267,200
Unrestricted	42,237,664	40,972,031	44,123,844	44,289,220	41,264,456	38,478,120	38,525,057	34,824,405	30,297,434	30,671,229
Total governmental activities net position	<u>\$ 99,005,865</u>	<u>\$ 100,644,983</u>	<u>\$ 104,661,882</u>	<u>\$ 106,602,208</u>	<u>\$ 106,454,684</u>	<u>\$ 104,881,223</u>	<u>\$ 105,197,367</u>	<u>\$ 103,935,716</u>	<u>\$ 104,183,470</u>	<u>\$ 106,766,619</u>
Business type activities:										
Investment in capital assets	\$ 44,386,134	\$ 45,828,561	\$ 47,970,897	\$ 49,683,932	\$ 51,127,842	\$ 53,218,776	\$ 53,846,733	\$ 53,297,369	\$ 52,774,728	\$ 52,301,964
Unrestricted	8,610,182	8,558,576	8,690,783	8,156,715	7,022,922	8,603,253	11,052,770	13,825,219	16,554,259	19,953,697
Total business type activities net position	<u>\$ 52,996,316</u>	<u>\$ 54,387,137</u>	<u>\$ 56,661,680</u>	<u>\$ 57,840,647</u>	<u>\$ 58,150,764</u>	<u>\$ 61,822,029</u>	<u>\$ 64,899,503</u>	<u>\$ 67,122,588</u>	<u>\$ 69,328,987</u>	<u>\$ 72,255,661</u>
Primary government:										
Investment in capital assets	\$ 101,154,335	\$ 105,501,513	\$ 108,508,935	\$ 111,996,920	\$ 116,318,070	\$ 119,621,879	\$ 120,289,846	\$ 122,114,655	\$ 126,350,120	\$ 128,130,154
Restricted	-	-	-	-	-	-	229,197	294,025	310,644	267,200
Unrestricted	50,847,846	49,530,607	52,814,627	52,445,935	48,287,378	47,081,373	49,577,827	48,649,624	46,851,693	50,624,926
Total primary government net position	<u>\$ 152,002,181</u>	<u>\$ 155,032,120</u>	<u>\$ 161,323,562</u>	<u>\$ 164,442,855</u>	<u>\$ 164,605,448</u>	<u>\$ 166,703,252</u>	<u>\$ 170,096,870</u>	<u>\$ 171,058,304</u>	<u>\$ 173,512,457</u>	<u>\$ 179,022,280</u>

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB 68 in FY15. The unrestricted net position balances were restated for the effects of this statement in FY14 and FY15.
The City implemented GASB 75 in FY18. The unrestricted net position balances were restated for the effects of this statement in FY17 and FY18.

CITY OF UNIVERSITY PARK, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General Government	\$ 4,357,936	\$ 4,616,440	\$ 3,405,642	\$ 4,643,566	\$ 5,168,456	\$ 5,303,529	\$ 6,237,596	\$ 6,236,918	\$ 6,575,387	\$ 6,541,706
Public Safety	11,305,806	11,681,307	12,173,113	12,198,719	12,914,938	12,870,794	13,866,937	14,562,251	15,049,833	15,230,494
Streets	1,779,140	1,872,143	1,755,084	1,829,907	1,862,581	1,961,153	2,153,362	2,022,909	1,953,853	1,897,537
Parks	2,959,412	3,276,568	3,330,332	3,418,159	3,609,761	3,549,975	3,701,838	3,867,474	3,877,072	4,095,819
Public Works	2,831,572	2,765,385	2,691,034	2,658,904	3,089,173	2,933,931	2,973,871	3,067,854	2,907,656	2,788,705
Total governmental activities expenses	23,233,866	24,211,843	23,355,205	24,749,255	26,644,909	26,619,382	28,933,604	29,757,406	30,363,801	30,554,261
Business type activities:										
Utilities	10,843,388	11,399,252	12,795,748	13,146,550	13,991,080	13,679,558	13,361,608	13,640,627	14,448,042	15,302,739
Sanitation	2,477,782	2,552,159	2,622,334	2,590,435	2,784,109	2,791,940	2,826,506	3,098,111	3,025,626	2,946,676
Stormwater	-	-	-	-	-	109,032	92,646	68,884	176,504	234,719
Total business type activities expenses	13,321,170	13,951,411	15,418,082	15,736,985	16,775,189	16,580,530	16,280,760	16,807,622	17,650,172	18,484,134
Total primary government expense	\$ 36,555,036	\$ 38,163,254	\$ 38,773,287	\$ 40,486,240	\$ 43,420,098	\$ 43,199,912	\$ 45,214,364	\$ 46,565,028	\$ 48,013,973	\$ 49,038,395
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 25,550	\$ 27,965	\$ 36,492	\$ 29,132	\$ 48,342	\$ 58,247	\$ 64,946	\$ 65,914	\$ 69,685	\$ 63,377
Public Safety	2,158,211	2,146,698	1,972,793	2,284,805	2,258,352	2,358,022	2,086,722	2,259,477	2,521,682	2,391,984
Streets	-	-	-	-	-	-	-	-	-	-
Parks	268,311	360,347	364,402	348,478	353,380	321,664	312,541	319,968	298,901	388,202
Public Works	1,430,999	985,157	2,885,760	3,113,402	1,593,086	1,898,453	2,196,979	1,334,508	1,762,119	3,308,409
Total governmental activities program revenues	3,883,071	3,520,167	5,259,447	5,775,817	4,253,160	4,636,386	4,661,188	3,979,867	4,652,387	6,151,972
Business type activities:										
Charges for services:										
Utilities	11,790,145	12,115,224	14,384,367	13,655,917	13,911,816	14,936,298	14,606,621	14,605,166	15,339,518	16,548,841
Sanitation	2,760,877	2,800,004	2,953,344	2,828,621	2,743,414	2,716,376	2,692,834	2,860,758	3,061,506	3,100,506
Stormwater	-	-	-	-	-	465,816	435,563	433,302	437,057	476,192
Total business type activities program revenues	14,551,022	14,915,228	17,337,711	16,484,538	16,655,230	18,118,490	17,735,018	17,899,226	18,838,081	20,125,539
Total primary government program revenues	\$ 18,434,093	\$ 18,435,395	\$ 22,597,158	\$ 22,260,355	\$ 20,908,390	\$ 22,754,876	\$ 22,396,206	\$ 21,879,093	\$ 23,490,468	\$ 26,277,511
Net (Expense) Revenue										
Governmental activities	\$ (19,350,795)	\$ (20,691,676)	\$ (18,095,758)	\$ (18,973,438)	\$ (22,391,749)	\$ (21,982,996)	\$ (24,272,416)	\$ (25,777,539)	\$ (25,711,414)	\$ (24,402,289)
Business type activities	1,229,852	963,817	1,919,629	747,553	(119,959)	1,537,960	1,454,258	1,091,604	1,187,909	1,641,405
Total primary government net expense	\$ (18,120,943)	\$ (19,727,859)	\$ (16,176,129)	\$ (18,225,885)	\$ (22,511,708)	\$ (20,445,036)	\$ (22,818,158)	\$ (24,685,935)	\$ (24,523,505)	\$ (22,760,884)

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:										
Ad valorem	\$ 15,399,326	\$ 15,918,098	\$ 15,928,388	\$ 15,484,579	\$ 15,444,115	\$ 16,160,020	\$ 16,971,682	\$ 17,530,625	\$ 18,463,633	\$ 18,999,877
Sales tax	2,939,262	3,228,336	3,584,805	3,395,645	3,498,422	4,014,191	4,229,485	4,245,822	4,421,709	4,558,780
Franchise Fees	2,136,595	2,049,354	2,207,303	2,094,494	1,989,121	2,122,312	2,228,552	2,087,318	2,072,947	1,848,515
Investment earnings	414,462	369,718	208,533	188,888	98,286	172,591	287,428	347,503	394,574	697,960
Other	1,333,295	1,065,968	502,174	90,026	1,429,414	4,373,130	2,343,344	1,368,791	1,265,815	1,220,981
Contribution	34	34	34	32	-	-	-	-	-	-
Donations	240,640	51,462	33,596	12,276	137,043	83,759	84,614	133,524	98,836	67,313
Gain (loss) on sale of capital assets	17,804,603	-	-	-	-	-	-	(124,075)	-	-
Transfers	(352,176)	(352,176)	(352,176)	(352,176)	(352,176)	(952,176)	(1,556,545)	(1,073,620)	(388,560)	(407,988)
Total governmental activities	<u>39,916,041</u>	<u>22,330,794</u>	<u>22,112,657</u>	<u>20,913,764</u>	<u>22,244,225</u>	<u>25,973,827</u>	<u>24,588,560</u>	<u>24,515,888</u>	<u>26,328,954</u>	<u>26,985,438</u>
Business type activities:										
Investment earnings	61,253	1,792	2,738	3,241	1,974	448	2,230	25,671	38,991	115,711
Other	88,826	73,036	-	75,997	75,926	80,837	64,441	32,190	737,609	761,570
Gain (loss) on sale of capital assets	(4,818)	-	-	-	-	-	-	-	-	-
Transfers	352,176	352,176	352,176	352,176	352,176	952,176	1,556,545	1,073,620	388,560	407,988
Total business type activities	<u>497,437</u>	<u>427,004</u>	<u>354,914</u>	<u>431,414</u>	<u>430,076</u>	<u>1,033,461</u>	<u>1,623,216</u>	<u>1,131,481</u>	<u>1,165,160</u>	<u>1,285,269</u>
Total primary government	<u>\$ 40,413,478</u>	<u>\$ 22,757,798</u>	<u>\$ 22,467,571</u>	<u>\$ 21,345,178</u>	<u>\$ 22,674,301</u>	<u>\$ 27,007,288</u>	<u>\$ 26,211,776</u>	<u>\$ 25,647,369</u>	<u>\$ 27,494,114</u>	<u>\$ 28,270,707</u>

Change in Net Position

Governmental activities	\$ 20,565,246	\$ 1,639,118	\$ 4,016,899	\$ 1,940,326	\$ (147,524)	\$ 3,990,831	\$ 316,144	\$ (1,261,651)	\$ 617,540	\$ 2,583,149
Business type activities	1,727,289	1,390,821	2,274,543	1,178,967	310,117	2,571,421	3,077,474	2,223,085	2,353,069	2,926,674
Total primary government	<u>\$ 22,292,535</u>	<u>\$ 3,029,939</u>	<u>\$ 6,291,442</u>	<u>\$ 3,119,293</u>	<u>\$ 162,593</u>	<u>\$ 6,562,252</u>	<u>\$ 3,393,618</u>	<u>\$ 961,434</u>	<u>\$ 2,970,609</u>	<u>\$ 5,509,823</u>

Source: Comprehensive Annual Financial Report

CITY OF UNIVERSITY PARK, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 3

	2009	2010
General Fund		
Reserved	\$ 1,195,862	\$ 940,083
Unreserved	23,743,726	24,285,828
Total General Fund	<u>\$ 24,939,588</u>	<u>\$ 25,225,911</u>
All Other Governmental Funds		
Reserved	\$ 3,451,470	\$ 1,459,551
Unreserved, reported in:		
Capital Projects fund	5,931,904	7,971,336
Special revenue funds	132,990	52,888
Total all other governmental funds	<u>\$ 9,516,364</u>	<u>\$ 9,483,775</u>

Note: In fiscal year 2011, the City implemented GASB 54, which classifies fund balance as nonspendable, restricted, committed, assigned and unassigned.
No previous years were restated.

	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Nonspendable	\$ 447,942	\$ 502,835	\$ 518,976	\$ 557,109	\$ 576,174	\$ 622,861	\$ 591,377	\$ 589,430
Restricted	1,274,954	-	-	-	-	-	-	-
Committed	20,750,202	20,750,202	20,750,202	20,750,202	20,750,202	20,750,202	17,514,501	17,514,501
Assigned	711,397	644,732	503,441	455,547	306,923	290,639	309,933	248,846
Unassigned	5,126,786	6,194,370	5,234,423	5,560,558	6,519,025	7,130,059	8,573,761	8,967,415
Total General Fund	<u>\$ 28,311,281</u>	<u>\$ 28,092,139</u>	<u>\$ 27,007,042</u>	<u>\$ 27,323,416</u>	<u>\$ 28,152,324</u>	<u>\$ 28,793,761</u>	<u>\$ 26,989,572</u>	<u>\$ 27,320,192</u>
All Other Governmental Funds								
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spendable								
Restricted	-	-	-	-	229,197	294,025	310,644	267,200
Committed	-	-	-	-	-	-	-	-
Assigned	9,831,161	10,824,871	9,647,996	12,456,022	12,275,219	9,966,009	11,154,189	11,215,595
Unassigned	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,831,161</u>	<u>\$ 10,824,871</u>	<u>\$ 9,647,996</u>	<u>\$ 12,456,022</u>	<u>\$ 12,504,416</u>	<u>\$ 10,260,034</u>	<u>\$ 11,464,833</u>	<u>\$ 11,482,795</u>

Source: Comprehensive Annual Financial Report

CITY OF UNIVERSITY PARK, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes:										
Ad Valorem	\$ 15,397,077	\$ 15,942,896	\$ 15,942,729	\$ 15,502,274	\$ 15,437,318	\$ 16,029,692	\$ 17,043,636	\$ 17,527,721	\$ 18,477,455	\$ 19,006,152
Sales	2,939,262	3,228,336	3,584,805	3,395,645	3,498,422	4,014,191	4,229,485	4,245,822	4,421,709	4,558,780
Franchise fees	2,136,595	2,049,354	2,207,303	2,094,494	1,989,121	2,122,312	2,228,552	2,087,318	2,072,947	1,848,515
Permits and licenses	1,572,127	1,071,690	2,973,785	3,192,446	1,673,681	1,985,049	2,309,390	1,418,959	1,858,996	3,403,512
Fines	524,952	529,704	460,329	769,308	758,962	839,055	633,083	820,356	920,316	818,107
Charges for services	1,740,278	1,546,781	1,468,322	1,434,766	1,465,817	1,785,939	1,738,025	1,851,865	1,882,041	1,914,328
Other	1,360,856	1,424,116	2,329,790	451,824	1,876,407	4,400,268	1,702,884	1,368,791	1,270,395	1,213,126
Investment income	414,462	369,718	208,533	188,888	98,286	172,591	287,428	347,503	394,574	697,960
Donations	240,640	51,462	33,596	12,276	137,043	83,759	84,614	133,524	98,836	75,167
Total revenues	26,326,249	26,214,057	29,209,192	27,041,921	26,935,057	31,432,856	30,257,097	29,801,859	31,397,269	33,535,647
Expenditures										
General Government	3,711,731	3,726,579	3,908,128	3,710,920	3,940,032	4,081,360	4,195,769	4,172,217	7,941,643	4,918,401
Public Safety	11,492,897	11,612,306	11,792,300	11,769,965	12,193,142	12,288,514	12,772,317	13,060,294	13,547,700	14,042,235
Streets	1,807,372	1,872,562	1,737,530	1,780,280	1,745,127	1,848,867	1,998,240	1,742,353	1,706,388	1,666,834
Parks	2,935,266	3,101,504	3,105,560	3,080,028	3,140,013	3,188,534	3,225,558	3,271,096	3,255,344	3,532,794
Public Works	2,811,921	2,684,192	2,611,421	2,528,517	2,812,070	2,779,473	2,847,099	2,785,712	2,548,586	2,537,195
Capital Outlay	7,875,116	4,611,004	2,269,321	3,045,468	5,014,469	3,169,532	2,784,267	5,299,512	2,600,773	5,613,757
Total expenditures	30,634,303	27,608,147	25,424,260	25,915,178	28,844,853	27,356,280	27,823,250	30,331,184	31,600,434	32,311,216
Excess of revenues over (under) expenditures	(4,308,054)	(1,394,090)	3,784,932	1,126,743	(1,909,796)	4,076,576	2,433,847	(529,325)	(203,165)	1,224,431
Other Financing Sources (Uses)										
Transfers in	4,990,191	4,680,020	2,680,020	4,108,561	3,053,014	5,975,020	2,774,428	2,986,407	3,747,854	5,594,617
Transfers out	(5,342,367)	(3,032,196)	(3,032,196)	(4,460,736)	(3,405,190)	(6,927,196)	(4,330,973)	(4,060,027)	(4,144,079)	(6,470,466)
Proceeds from the sale of real estate	18,079,589	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	17,727,413	1,647,824	(352,176)	(352,175)	(352,176)	(952,176)	(1,556,545)	(1,073,620)	(396,225)	(875,849)
Net change in fund balances	\$ 13,419,359	\$ 253,734	\$ 3,432,756	\$ 774,568	\$ (2,261,972)	\$ 3,124,400	\$ 877,302	\$ (1,602,945)	\$ (599,390)	\$ 348,582

Source: Comprehensive Annual Financial Report

CITY OF UNIVERSITY PARK, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Table 5

Fiscal Year	Real Property		Business Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial				
2009	\$ 7,222,753,610	\$ 1,328,001,550	\$ 69,328,260	\$ 2,813,471,585	\$ 5,806,611,835	\$ 0.2655
2010	7,266,425,510	1,390,034,530	71,886,140	2,742,338,498	5,986,007,682	0.2655
2011	6,863,828,520	1,405,826,170	70,896,650	2,633,438,386	5,707,112,954	0.2785
2012	6,654,905,050	1,424,711,540	69,909,780	2,581,437,846	5,568,088,524	0.2785
2013	6,644,042,790	1,525,744,050	71,281,470	2,653,643,498	5,587,424,812	0.2785
2014	6,996,977,160	1,666,485,480	75,369,540	2,839,055,026	5,899,777,154	0.2743
2015	7,573,817,110	1,806,314,070	81,981,600	3,113,142,452	6,348,970,328	0.2698
2016	8,184,648,580	1,835,964,380	86,214,430	3,275,569,950	6,831,257,440	0.2589
2017	9,173,260,600	1,886,228,710	86,309,460	3,751,895,965	7,393,902,805	0.2488
2018	9,904,454,470	2,173,399,210	84,929,530	4,077,565,306	8,085,217,904	0.2488

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value

Source: Dallas Central Appraisal District "Summary of the Certified Estimated Values Report."
Dallas County Tax Office "Property Tax Rates."

CITY OF UNIVERSITY PARK, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Highland Park Independent School District	Dallas County	Parkland Hospital District	Dallas County Community College District	Total
2009	\$ 0.2655	\$ -	\$ 0.2655	\$ 1.0900	\$ 0.2330	\$ 0.2540	\$ 0.0894	\$ 1.9319
2010	0.2655	-	0.2655	1.1100	0.2333	0.2740	0.0949	1.9777
2011	0.2785	-	0.2785	1.1150	0.2531	0.2710	0.0992	2.0168
2012	0.2785	-	0.2785	1.1342	0.2531	0.2710	0.0997	2.0365
2013	0.2785	-	0.2785	1.1342	0.2530	0.2710	0.1194	2.0561
2014	0.2743	-	0.2743	1.1267	0.2531	0.2760	0.1247	2.0548
2015	0.2698	-	0.2698	1.1181	0.2531	0.2860	0.1248	2.0518
2016	0.2589	-	0.2589	1.1119	0.2531	0.2860	0.1237	2.0336
2017	0.2488	-	0.2488	1.2032	0.2531	0.2794	0.1242	2.1087
2018	0.2488	-	0.2488	1.2032	0.2531	0.2794	0.1242	2.1087

Note: All outstanding debt of the City was extinguished in fiscal 2002.

Source: Dallas Central Appraisal District "Ad Valorem Tax Rates for Dallas County"

**CITY OF UNIVERSITY PARK, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Ten Years Ago
(Unaudited)**

Table 7

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Caruth Preston Road	\$ 85,575,880	1	1.06%	\$ 50,007,960	1	0.86%
Peruna Holdings Corp	23,682,900	2	0.29%	47,021,360	2	0.81%
Gerald J. Ford	22,013,000	3	0.27%	16,538,438	5	0.28%
Southern Methodist University	21,655,690	4	0.27%	32,615,880	3	0.56%
Trevor D. and Janice M. Rees-Jones	20,659,448	5	0.26%	13,000,000	8	0.22%
Finney Mary Clare Life Estate	15,706,392	6	0.19%			
Intercity Investments Inc	15,000,000	7	0.19%	19,975,800	4	0.34%
Clint D. and Nancy P. Carlson	14,871,572	8	0.18%	14,396,146	7	0.25%
John C. & Debbie Tolleson	14,013,000	9	0.17%	11,534,320	10	0.20%
HG Residence Trust	13,686,464	10	0.17%			
Birmingham Wallace LP				15,532,000	6	0.27%
JTL Nomandy/Parkwood LP				11,747,550	9	0.20%
	<u>\$ 246,864,346</u>		<u>3.05%</u>	<u>\$ 232,369,454</u>		<u>3.99%</u>

Source: Dallas County Tax Office

CITY OF UNIVERSITY PARK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Original Levy
2009	\$ 15,418,745	\$ 15,249,426	98.90%	\$ 83,548	\$ 15,332,974	99.44%
2010	15,893,856	15,739,996	99.03%	49,953	15,789,949	99.35%
2011	15,903,248	15,769,437	99.16%	42,529	15,811,966	99.43%
2012	15,507,883	15,384,088	99.20%	8,978	15,393,066	99.26%
2013	15,561,032	15,377,061	98.82%	21,168	15,398,229	98.95%
2014	16,187,443	15,956,992	98.58%	5,642	15,962,634	98.61%
2015	17,133,359	16,961,640	99.00%	(40,889)	16,920,751	98.76%
2016	17,692,489	17,525,897	99.06%	9,096	17,534,992	99.11%
2017	18,453,201	18,270,892	99.01%	17,630	18,288,522	99.11%
2018	18,936,419	18,870,690	99.65%	-	18,870,690	99.65%

Source: Dallas County Tax Office

CITY OF UNIVERSITY PARK, TEXAS
RATIO OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

Table 9

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-

Note: All outstanding debt of the City was extinguished in fiscal 2002.

CITY OF UNIVERSITY PARK, TEXAS
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Table 10

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds</u>	<u>Less: Amount Available for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

Note: All outstanding debt of the City was extinguished in fiscal 2002.

CITY OF UNIVERSITY PARK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2018
(Unaudited)

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Highland Park Independent School District	\$ 216,952,852	55.99%	\$ 121,471,902
Dallas County	6,425,485	3.73%	239,671
Dallas County Community College District	7,923,745	3.47%	274,954
Dallas County Hospital District	24,897,455	3.62%	901,288
Dallas Independent School District	563,410	0.02%	113
Subtotal, overlapping debt			122,887,928
City of University Park direct debt			-
Total direct and overlapping debt			\$ 122,887,928

Source: Hilltop Securities Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of The City of University Park. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF UNIVERSITY PARK, TEXAS
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)**

Table 12

The City of University Park has no non-general obligation, long-term debt.

**CITY OF UNIVERSITY PARK, TEXAS
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)**

Table 13

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tax Rate Limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current Tax Rate	0.2655	0.2655	0.2785	0.2785	0.2785	0.2743	0.2698	0.2589	0.2488	0.2488
Available Tax Rate	<u>\$ 2.2345</u>	<u>\$ 2.2345</u>	<u>\$ 2.2215</u>	<u>\$ 2.2215</u>	<u>\$ 2.2215</u>	<u>\$ 2.2257</u>	<u>\$ 2.2302</u>	<u>\$ 2.2411</u>	<u>\$ 2.2512</u>	<u>\$ 2.2512</u>

Note: The City Charter of The City of University Park does not provide for a debt limit. Under provisions of Texas state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

Source: Dallas Central Appraisal District "Summary of the Certified Estimated Values Report."
Dallas County Tax Office "Property Tax Rates."

CITY OF UNIVERSITY PARK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Table 14

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	23,324	\$ 1,541,110	\$ 66,074	31.2	6,400	7.0%
2010	23,068	1,539,997	66,759	27.8	6,448	7.1%
2011	23,068	1,539,997	66,759	27.8	6,448	7.0%
2012	23,040	1,461,059	63,414	29.7	6,757	5.6%
2013	22,920	1,607,013	70,114	29.7	6,848	5.4%
2014	22,860	1,602,806	70,114	29.7	6,804	3.9%
2015	22,840	1,784,672	78,138	29.8	6,804	3.3%
2016	22,720	1,776,772	78,203	29.8	7,037	3.3%
2017	22,820	2,108,568	92,400	32.9	7,091	2.7%
2018	22,890	2,115,036	92,400	32.9	7,024	3.0%

Source: Estimated population obtained from the North Central Texas Council of Governments, 2017 Population Estimates Report.
Current and updated median age, per capita via city-data.com.
Current and updated school enrollment via neighborhoodscout.com.
Current and updated unemployment rate via homefacts.com.

CITY OF UNIVERSITY PARK, TEXAS
PRINCIPAL EMPLOYERS
Current Year
(Unaudited)

Table 15

UNIVERSITY PARK			
Employer	Rank	Employees	Percentage of Total City Employment
Southern Methodist University	1	1,429	6%
Highland Park ISD	2	571	3%
Fidelity Investments	3	300	1%
City of University Park	4	239	1%

DALLAS COUNTY			COLLIN COUNTY		
Employer	Rank	Employees	Employer	Rank	Employees
Bank of America	1	20,000	HP Enterprise Services	1	10,000
Dallas ISD	2	18,314	JP Morgan Chase & Co.	2	6,000
Baylor Health Care System	3	17,097	Bank of America Home Loans	3	4,646
AT&T	4	15,800	Liberty Mutual Insurance	4	4,000
JP Morgan Chase & Co.	5	13,500	Toyota	5	4,000
UT Southwestern Medical Center	6	13,122	JC Penney	6	3,800
City of Dallas	7	12,836	Capital One	7	3,683
US Postal Service	8	10,439	University of Texas at Dallas	8	3,500
Texas Instruments Inc.	9	9,100	Blue Cross and Blue Shield of Texas	9	3,100
UPS	10	8,555	Medical Center of Plano	10	3,000

Note: The City of University Park is primarily residential in nature, with a highly mobile workforce. Nestled between the north/south routes of the Dallas North Tollway to the west, and North Central Expressway to the east, the majority of commuters are likely employed in either Dallas or Collin County. Therefore, the major employers of those areas are presented along with the top 4 employers within the City limits. No comparative prior period information is available. Employers information was found in destinationdfw.com and North Central Texas Council of Governments sites/reports, and therefore is not intended as an accurate portrayal of actual City employment.

Source: North Central Texas Council of Government, Destinationdfw.com and FY17 Collin County CAFR

CITY OF UNIVERSITY PARK, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 16

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administrative	5	5	5	5	5	5	5	6	6	6
Finance	7	7	7	6	5	6	6	6	6	6
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Services	4	5	5	5	5	5	5	5	5	6
Library *					4	4	4	4	4	3
Facility Maintenance	3	3	3	2	2	2	2	2	2	2
Public Safety										
Police										
Officers	39	39	37	39	35	39	39	43	41	41
Civilians	9	11	12	10	13	14	11	10	12	12
Fire										
Firefighters and officers	34	35	35	34	34	35	35	33	31	34
Civilians	1	1	1	1	1	1	1	1	1	1
Municipal Court	2	2	2	2	2	2	2	2	2	2
Parks	24	24	24	22	22	22	22	22	23	23
Public Works										
Community Development	9	9	9	10	11	11	9	10	9	9
Engineering	6	6	6	6	5	5	5	4	3	3
Traffic	7	7	6	7	7	7	7	6	7	7
Streets	16	16	16	16	16	17	16	16	16	16
Utilities	32	32	31	28	32	31	31	31	31	31
Sanitation	26	26	25	26	27	27	27	28	27	26
Equipment Services	10	10	10	10	10	10	10	9	9	9
Capital Projects	1	1	1	1	0	0	0	0	0	0
Total	237	241	237	232	238	245	239	240	237	239

Source: City Human Resource Department

* Function added in 2013

CITY OF UNIVERSITY PARK, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 17

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Police										
Parking tickets	5,481	4,927	5,277	8,426	7,333	6,886	2,873	6,386	5,793	6,499
Traffic violations	6,859	3,808	5,133	5,169	4,050	5,838	5,774	3,386	3,970	7,288
Accident calls	353	340	217	210	198	188	535	572	532	623
Total calls for service	16,907	19,946	25,835	25,756	24,162	24,636	27,767	30,199	31,051	30,862
Fire										
Number of fire runs	1,250	1,340	1,185	1,227	1,437	1,485	1,547	1,455	1,532	1,587
Number of EMS runs	1,120	1,156	1,113	1,012	1,100	1,073	1,033	1,038	1,077	876
Inspections	528	685	725	791	819	1,040	874	856	1,142	952
Parks										
Pool passes issued	2,635	3,480	3,422	3,186	3,161	3,036	2,821	2,645	2,465	2,587
Public Works										
Building permits issued	2,078	2,203	2,597	2,792	3,036	3,257	3,040	2,880	2,511	2,482
Work orders completed	9,406	7,576	7,758	8,203	7,436	6,970	7,538	6,824	7,216	7,408
Sanitation										
Waste hauled (tons)	15,508	17,219	15,022	15,295	15,052	14,487	15,139	12,806	12,751	12,907
Recycled materials (tons)	2,393	2,734	2,854	2,961	2,886	3,116	3,298	3,614	3,222	3,013
Green Waste	2,305	4,365	2,731	2,936	2,647	2,212	2,428	1,652	1,489	1,313
Utilities										
Number of consumers	8,732	8,764	8,790	8,747	8,813	8,848	8,797	8,830	8,815	8,805
Average daily consumption (ten thousands of gallons)	4,511	4,159	5,797	4,844	4,403	4,095	3,931	3,850	3,956	4,086

Sources: Various City Departments

CITY OF UNIVERSITY PARK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 18

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	20	13	12	12	12	12	13	13	12	12
Motorcycle units	1	1	0	0	0	0	0	0	2	2
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	3	3	4	4	4	3	3	2	3	3
MICU	2	2	2	2	2	2	2	2	2	2
Parks										
Parks (acres)	60	60	60	60	60	60	60	60	60	60
Parks (number of)	8	8	9	10	10	11	11	11	11	11
Playgrounds	9	9	8	8	8	9	9	9	9	9
Swimming Pools	1	2	2	2	2	2	2	2	2	2
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Water										
Water mains (miles)	89	89	89	89	89	89	89	89	89	89
Fire hydrants	476	472	472	469	470	473	473	473	473	473
Streets										
Streets (miles)	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6
Sewer										
Sanitary sewer lines (miles)	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8
Storm sewer lines (miles)	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9

Source: Various City Departments

